

*City of Kingsport, Tennessee*  
*Comprehensive Annual Financial Report*  
*June 30, 2002*



**Prepared By**  
**The Finance Department**  
**James H. Demming, City Recorder**

CITY OF KINGSPORT, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2002

TABLE OF CONTENTS

	Page
<b>I. INTRODUCTORY SECTION (UNAUDITED)</b>	
Letter of Transmittal	1
GFOA Certificate of Achievement	5
Organizational Chart and History	6
List of Elected and Appointed Officials	8
<b>II. FINANCIAL SECTION</b>	
Independent Auditors' Report	9
<b>A. MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	11
<b>B. BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets	20
Statement of Activities	21
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet	22
Reconciliation of the Balance Sheet to the Statement of Net Assets	23
Statement of Revenues, Expenditures, and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Purpose School Fund	29
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Assets	31
Statement of Revenues, Expenses, and Changes in Fund Net Assets	33
Statement of Cash Flows	34
<b>Fiduciary Fund Financial Statement</b>	
Statement of Fiduciary Net Assets	37
<b>Component Units Financial Statements</b>	
Statement of Net Assets	38
Statement of Revenues, Expenses, and Changes in Net Assets	39
Statement of Cash Flows	40
<b>Notes to the Financial Statements</b>	41

CITY OF KINGSPORT, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2002

TABLE OF CONTENTS

Page

**C. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

**Nonmajor Governmental Funds**

Balance Sheet	97
Statement of Revenues, Expenditures, and Changes in Fund Balances	98
Balance Sheet - Special Revenue Funds - Public Safety	99
Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds - Public Safety	100
Balance Sheet - Special Revenue Funds - Highway Transportation Planning	101
Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds - Highway Transportation Planning	102
Balance Sheet - Special Revenue Funds - Culture and Recreation	103
Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds - Culture and Recreation	104
Balance Sheet - Special Revenue Funds - Education	105
Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds - Education	106

**Internal Service Funds**

Statement of Net Assets	107
Statement of Revenues, Expenses, and Changes in Fund Net Assets	108
Statement of Cash Flows	109

**D. SUPPLEMENTAL INFORMATION**

**Capital Assets Used in the Operation of Governmental Funds**

Comparative Schedules by Source	110
Schedule by Function and Activity	111
Schedule of Changes by Function and Activity	113

**Other**

Schedule of Operating Costs - Enterprise Funds	115
Schedule of Expenditures of Federal Awards	116
Schedule of Expenditures of State Awards	121

CITY OF KINGSPORT, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2002

TABLE OF CONTENTS

Page

**III. STATISTICAL SECTION (UNAUDITED)**

Government-Wide Revenues	122
Government-Wide Expenditures	123
General Governmental Revenues by Source	124
General Governmental Expenditures by Function	125
Statement of Tax Levy and Collections	126
Statement of Assessed and Appraisal Values, Tax Rate, and Tax Levy	127
Property Tax Rates - Direct and Overlapping Governments	128
Property Tax Receivable	129
Special Assessment Collections	130
Top Ten Taxpayers	131
Statement of Legal Debt Margin	132
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	133
Ratio of Annual Debt Service Requirement for General Bonded Debt to Total General Expenditures	134
Computation of Direct and Overlapping Debt	135
Combined Schedule of Utility Fund Revenue Bond Coverage	136
Demographic Statistics	137
Property Value and Construction	138
Miscellaneous Statistical Data	139
Schedule of Bonds Payable	147
Schedule of Bonds Payable - Future Requirements	156
Salaries and Surety Bonds of Principal Officials	157
Schedule of Insurance in Force	158
Schedule of Locations and Values of Real and Personal Property Covered by Blanket Insurance	166
Schedule of Locations of Insured Boilers	170

**IV. COMPLIANCE REPORTS**

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	172
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	174
Schedule of Findings and Questioned Costs	176

December 13, 2002

To the Honorable Mayor, Members of the Board of Mayor and Aldermen, and Citizens of the City of Kingsport, Tennessee:

State law requires that all general-purpose local governments publish within twelve months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Kingsport for the fiscal year ended June 30, 2002.

This report consists of management's representations concerning the finances of the City of Kingsport. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Kingsport has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Kingsport's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Kingsport's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Kingsport's financial statements have been audited by Blackburn, Childers and Steagall, PLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Kingsport for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Kingsport's financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Kingsport was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance report section of this CAFR.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Kingsport's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Kingsport was incorporated in 1917 and operates under a council-manager form of government. It is located in the northeast part of the state. The City currently occupies a land area of approximately 44 square miles and serves a population of 44,905. The City is authorized by state statutes to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Board of Mayor and Aldermen.

The City of Kingsport has operated under the council-manager form of government since 1917. Policy-making and legislative authority are vested in the Board of Mayor and Aldermen (BMA) consisting of the mayor and six other members. The BMA is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and hiring the City manager. The City's manager is responsible for carrying out the policies and ordinances of the BMA, for overseeing the day-to-day operations of the City and for appointing the heads of various departments. The BMA is elected on a non-partisan basis. Board members serve four-year staggered terms, with an election every two years. The mayor is elected to serve a two-year term.

The City of Kingsport provides a full range of services, including police, fire and rescue, street construction and maintenance, planning and zoning, parks and recreation, cultural events and general administrative services. In addition, water and sewer service, solid waste collection, convention center and golf course are provided under an Enterprise Fund concept with user charges established by the BMA to ensure adequate coverage of operating expenses and payments on outstanding debt. Vehicle maintenance and replacement and self-insurance activities are provided through Internal Service Funds. The City of Kingsport provides water and sewer service outside the city limits.

The annual budget serves as the foundation for the City of Kingsport's financial planning and control. All departments of the City of Kingsport are required to submit requests for appropriation to the City Manager. The City manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the BMA for review by May 15th. The BMA is required to hold two public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Kingsport's fiscal year. The appropriated budget is prepared by fund, function and department. The City manager may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the BMA. Budget-to-actual comparisons are provided in this report. The general fund comparison is presented on pages 26 through 28 as part of the basic financial statements for the City's funds.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kingsport operates.

**Local economy.** The City of Kingsport encompasses approximately 44 square miles and has an estimated 2001 population of 44,905. It is located in northeast Tennessee and is part of a metropolitan area known as the Tri-Cities, which includes the Cities of Kingsport, Johnson City and Bristol.

Kingsport's economic strength is based on its role as a regional center for commercial and health care services in eastern Tennessee, as well as its significant industrial base. The City's service area includes southwest Virginia, southeast Kentucky as well as the Tri-Cities area. It is home to Eastman Chemical Company, the State's largest industrial employer. Eastman, AFG Industries and Flour Cities have their world corporate offices in Kingsport. The City has experienced steady overall tax base and population growth resulting from a combination of annexation and commercial development.

The economic base of the City consists of a balance between large manufacturing industries, support industries, service-oriented business and retail. Economic development activities are supported by the City through annual contributions to the Chamber of Commerce's economic development programs, funding for the Kingsport Economic Development Board (KEDB) of the City of Kingsport and the construction of appropriate water, sewer, roadway and drainage infrastructure to developable commercial and industrial properties within the City. The KEDB is organized to acquire and facilitate development of property for the purpose of maintaining and increasing employment opportunities by inducing industrial and commercial businesses to locate to or remain in the City. Through the acquisition of developable properties by the KEDB and the development of these sites, the City is well positioned for future growth.

The City and the private sector via the Chamber of Commerce forged a new economic development partnership in 2000 resulting in a renewed and invigorated effort to diversify the economic base and to position the community to take advantage of the changing economy. Significant increases in public allocations to economic development have resulted in the creation of a full-time office of economic development and the creation of various economic development initiatives.

Weyerhaeuser is currently in the construction phase of a \$475,000,000 project that will modernize the plant located in Kingsport. Although there will be no significant impact on employment figures, this investment solidifies their commitment to the Kingsport area.

**Cash management policies and practices.** The City's investment policy is to minimize market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by Federal Depository Insurance or collateralized. All collateral, on deposit, was held by the financial institution's investment department. The majority of investments held by the government during the fiscal year ended June 30, 2002 are classified in the category of lowest risk as defined by Governmental Accounting Standards Board.

**Long-term financial planning.** The BMA has adopted multi-year capital improvement and rate stabilization plans for the City's water and sewer utility operations. The plans include annual rate increases to gradually provide funding for capital projects and to reduce the City's reliance on debt. As the outstanding utility debt matures, the savings realized from the declining annual debt service expenditures will be recaptured and utilized for capital needs.

**Risk management.** The Risk Management Program includes all lines of loss exposure. These exposure areas include: Workers' Compensation, Property Damage, General Liability, Errors and Omission; Crime; Boiler and Machinery; and Accidental Death and Dismemberments. Specific

and aggregate reinsurance is maintained to cover those losses in excess of City Self Insurance reserves. Please see Note 5.A to the financial statements for more information.

**Pension and other post employment benefits.** The City of Kingsport provides pension benefits for all of its employees through two state-wide plans managed by the Tennessee Consolidated Retirement system. The City of Kingsport also provides post retirement health care benefits for certain retirees and their dependents. Additional information on the City's pension arrangements and post employment benefits can be found in Notes 5.E&F to the financial statements.

**Awards.** The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsport for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2001. This was the second consecutive year that the City of Kingsport has achieved this prestigious award. In order to be awarded a Certificate of Achievement a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine it's eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2001. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

**Acknowledgment.** The preparation of the CAFR could not have been accomplished without the efforts and dedication of the staff of the Department of Finance. We would like to express our appreciation to the Finance staff and other personnel from various departments, agencies, and authorities that assisted in its preparation. Also, we would like to thank the Board of Mayor and Aldermen for their guidance and support.

Respectfully submitted,

A. Ray Griffin, Jr.  
City Manager

James H. Demming  
City Recorder/CFO

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kingsport,  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

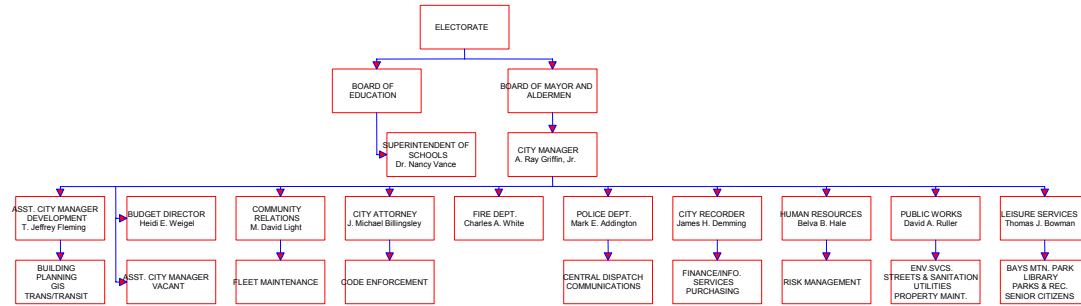
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Timothy A. Crave*  
President

*Jeffrey L. Esser*  
Executive Director

# CITY OF KINGSPORT, TENNESSEE ORGANIZATIONAL CHART



CITY OF KINGSPORT, TENNESSEE  
HISTORY AND ORGANIZATION

The City of Kingsport was incorporated in 1917 and has been operated under the Council-Manager form of government since that time. The Board of Mayor and Aldermen was expanded from five to seven members through a Charter amendment effective May 15, 1973. On the third Tuesday in May of each odd numbered year three members are elected by the qualified voters of the City for a four-year term and the mayor is elected for a two-year term beginning at the first regular meeting of the Board in July following the election. The Board appoints a City Manager who is responsible for the administration of the City according to the Charter and Ordinances in effect. The City Manager appoints various department heads, officials and employees to operate the City except for the Education Department. The Board of Education, consisting of five members with two or three elected by the qualified voters of the City each odd number year, is responsible for the hiring of a Director of Schools and other personnel, formulating policies and operating the school system within the framework of State statutes and the City Charter and Code.

Pay scales for employees and officials of all departments are approved by the Board of Mayor and Aldermen, and all appropriations of funds are made by the Board.

CITY OF KINGSPORT, TENNESSEE  
LIST OF ELECTED AND APPOINTED OFFICIALS  
June 30, 2002

BOARD OF MAYOR AND ALDERMEN

Jeanette D. Blazier	Mayor
Larry Munsey	Vice Mayor
Lon Boyd	Alderman
David Clark	Alderman
C. Ken Marsh, Jr.	Alderman
Gary Mayes	Alderman
Nathan Vaughn	Alderman

CHARTER OFFICERS

A. Ray Griffin, Jr.	City Manager
James H. Demming	City Recorder/Chief Financial Officer
Keith E. Smith	City Treasurer
J. Michael Billingsley	City Attorney
Mark E. Addington	Police Chief
J. Robert Boatright	City Judge
Dr. Nancy C. Vance	Superintendent of Schools

DEPARTMENT HEADS

Thomas J. Bowman	Leisure Services Director
Charles A. White	Fire Chief
David Ruller	Public Works Director
T. Jeffrey Fleming	Assistant City Manager for Development
Belva Hale	Human Resources Director
Heidi E. Weigel	Budget Director

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

American Institute of Certified Public Accountants  
Associated Regional Accounting Firms  
TGI (International Group of Accountants)

### INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
City of Kingsport  
Kingsport, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsport, Tennessee (the "City") and the Industrial Development Board, a discretely presented component unit, as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the basic financial statements of the Emergency Communications District, a discretely presented component unit, as of and for the year ended June 30, 2002. Those basic financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the City's financial statements, insofar as it relates to the amounts included for the Emergency Communications District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and the general purpose school fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and internal service fund of the City as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 11 through 19 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements and on the combining and individual nonmajor fund financial statements. The accompanying financial information listed as introductory section, supplemental information and statistical section in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and are not a required part of the basic financial statements. The schedules of capital assets used in the operation of governmental funds, schedule of operating costs for enterprise funds and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

As described in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

  
BLACKBURN, CHILDERS & STEAGALL, PLC

## Management's Discussion and Analysis

As management of the City of Kingsport, we offer readers of the City of Kingsport's financial statements this narrative overview and analysis of the financial activities of the City of Kingsport for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 4 of this report. Please note, the City presents prior comparative financial information when available; however, summary comparative data is not included in this discussion and analysis. Comparative data will be presented in future years as this information becomes available. All amounts included in this management's discussion and analysis, unless otherwise indicated, are expressed in the thousands of dollars.

### Financial Highlights

- The assets of the City of Kingsport exceeded its liabilities at the close of the most recent fiscal year by \$383,449 (net assets). Of this amount, \$39,932 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$7,762.
- As of the close of the current fiscal year, the City of Kingsport's governmental funds reported combined ending fund balances of \$33,529, an increase of \$39 in comparison with the prior year (as restated). Approximately 89% of this total amount, \$29,866, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$14,627, or 30% of total general fund expenditures including transfers out.
- The City of Kingsport's total debt decreased by \$3,518 (2.6%) during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kingsport's basic financial statements. The City of Kingsport's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Kingsport's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes or earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and

charges (business-type activities). The governmental activities of the City include general government, public safety, public works, highway transportation planning, economic and physical development, culture and recreation and education. The business-type activities of the City include water, sewer, solid waste, conference center and golf course. The government-wide financial statements can be found on pages 20 and 21 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kingsport, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the citywide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kingsport maintains twenty-one individual government funds. Eighteen of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general purpose school fund, the capital projects fund and nonmajor governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 22 through 25 of this report.

The City of Kingsport adopts an annual appropriation budget for its general and other major special revenue funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget.

***Proprietary funds.*** The City of Kingsport maintains seven different types of proprietary funds, including enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Kingsport uses enterprise funds to account for its water, sewer, solid waste, convention center and golf course activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Kingsport's various functions. The City of Kingsport uses internal service funds to account for vehicle maintenance and replacement and self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water, sewer, solid waste, convention center and golf course activities, which are considered to be major funds of the City of Kingsport. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 31 through 36 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 37 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 through 96 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 97 through 109 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City of Kingsport, assets exceed liabilities by \$383,449 at the close of the most recent fiscal year.

By far the largest portion of the City of Kingsport's net assets (87%) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The City of Kingsport uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kingsport's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Kingsport's Net Assets

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Current and other assets	\$ 90,244	\$ 23,712	\$113,956
Capital assets	<u>291,504</u>	<u>157,814</u>	<u>449,318</u>
Total assets	<u>381,748</u>	<u>181,526</u>	<u>563,274</u>
Long-term liabilities outstanding	55,320	72,975	128,295
Other liabilities	<u>45,598</u>	<u>5,932</u>	<u>51,530</u>
Total liabilities	<u>100,918</u>	<u>78,907</u>	<u>179,825</u>
Net assets:			
Invested in capital assets, net of related debt	234,544	98,946	333,490
Restricted	8,981	1,046	10,027
Unrestricted	<u>37,305</u>	<u>2,627</u>	<u>39,932</u>
Total net assets	<u>\$280,830</u>	<u>\$102,619</u>	<u>\$383,449</u>

A portion of the City's net assets (2.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$39,932) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets.

The government's net assets increased by \$7,762 during the current fiscal year. About 29% of this increase (\$2,282) was from the governmental activities while the remaining 71% of the increase (\$5,480) was from the business-type activities.

The following is a summary of financial activities for the City during the fiscal year ended June 30, 2002:

### City of Kingsport's Change in Net Assets

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$5,149	\$ 22,269	\$ 27,418
Operating grants & contributions	5,653	-	5,653
Capital grants & contributions	821	200	1,021
General revenues:			
Property taxes	35,254	-	35,254
Sales taxes	23,874	-	23,874
Other taxes & intergovernmental	21,338	-	21,338
Unrestricted investment earnings	1,118	442	1,560
Grants and contributions not restricted to specific programs	986	-	986
Other	<u>641</u>	<u>(5)</u>	<u>636</u>
Total revenues	<u>94,834</u>	<u>22,906</u>	<u>117,740</u>

### City of Kingsport's Change in Net Assets (continued)

Expenses:			
General government	5,530	-	5,530
Public safety	12,631	-	12,631
Public works	9,279	-	9,279
Highway transportation planning	2,034	-	2,034
Economic and physical development	3,128	-	3,128
Culture and recreation	4,096	-	4,096
Education	47,840	-	47,840
Interest on long-term debt	2,713	-	2,713
Other	234		234
Water	-	8,216	8,216
Sewer	-	8,015	8,015
Solid waste management	-	2,794	2,794
Conference center	-	2,117	2,117
Golf course	-	1,351	1,351
Total expenses	<u>87,485</u>	<u>22,493</u>	<u>109,978</u>
Increase in net assets before transfers	7,349	413	7,762
Transfers	<u>(5,067)</u>	<u>5,067</u>	<u>-</u>
Change in net assets	2,282	5,480	7,762
Net assets, June 30, 2001 (restated)	<u>278,548</u>	<u>97,139</u>	<u>375,687</u>
Net assets, June 30, 2002	<u>\$280,830</u>	<u>\$102,619</u>	<u>\$383,449</u>

**Governmental activities.** Governmental activities increased the City of Kingsport's net assets by \$2,282, thereby accounting for 29 percent of the total growth in the net assets of the City of Kingsport. This increase is primarily due to the following factors: (1) the City made payments on its long-term debt which exceeded the amount of new debt issued during the fiscal year, which was partially offset by (2) the excess of depreciation on capital assets over capital outlay expenditures. Additionally, information regarding this increase can be found in Note 2 on pages 51 and 52 of this report.

**Business-type activities.** Business-type activities increased the City of Kingsport's net assets by \$5,480, accounting for 71 percent of the total growth in the City's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities remained relatively constant from the previous fiscal year.
- Operating expenses, excluding depreciation, decreased in the water fund and increased by only \$100 in the sewer fund. The City budgeted and achieved an overall increase in net income to provide funds for capital expansion and debt repayments as indicated in the statement of cash flows located on pages 34 through 36 of this report.

## Financial Analysis of the City's Funds

As noted earlier, the City of Kingsport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Kingsport's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Kingsport's governmental funds reported combined ending fund balances of \$33,529, an increase of \$39 in comparison with the prior year. Approximately 89% of this total amount (\$29,866) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been committed to: (1) advances to golf course (\$2,713), (2) liquidate contracts and purchase orders of the prior period (\$505), and (3) for a variety of other restricted purposes (\$445).

The general fund is the chief operating fund of the City of Kingsport. At the end of the current fiscal year, unreserved fund balance of the general fund was \$14,627, while total fund balance reached \$17,537. As a matter of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 30% of total general fund expenditures and transfers out, while total fund balance represents 36% of that same amount. The fund balance of the City of Kingsport's general fund increased by only \$20 as a result of the current fiscal year operations. The beginning fund balance was restated as a result of several prior period adjustments (net increase of \$765). A more detailed explanation of these adjustments can be found in Note 5.B on pages 88 through 90 of this report.

The general purpose school fund has a total fund balance of \$2,687, of which most is unreserved. The net increase in fund balance during the current year was \$450.

The capital projects fund has a total fund balance of \$8,764, which is unreserved but designated for approved capital projects. The net decrease in this fund balance (\$691) was financed from the fund balance that was designated for specific capital projects.

Nonmajor (other) governmental funds have a fund balance of \$4,540. The net increase in fund balance during the current year was \$260. This net increase is primarily attributed to favorable operating results in the regional sales tax revenue fund.

**Proprietary funds.** The City of Kingsport's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$3,525 and \$1,765, respectively. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget represent a \$1,909 increase in appropriations and include the following:

\$ 455	Funding for Sevier Street widening project
416	Funding for sports facility study
337	Funding for advance to golf course
138	Funding for school maintenance work
130	Funding for increase in health insurance premiums
95	Additional funding for Sevier Street widening
85	Purchase of solid waste equipment
82	Funding for Kingsgate Crossing project
50	Appropriation of grant funds for fire department equipment
28	Funding for library technology upgrade
20	Funding for interim ball field improvements
12	Purchase of thermal imaging camera
61	Other miscellaneous
<u>\$1,909</u>	

Of this increase, approximately \$211 was to be funded out of miscellaneous growth related increases in various revenue sources or one-time receipts or grant activity. The remaining \$1,698 was to be budgeted from available fund balance. During the year, however, certain revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus reducing the need to draw upon existing fund balance.

## Capital Asset and Debt Administration

**Capital assets.** The City of Kingsport's investment in capital assets for its governmental and business type activities as of June 30, 2002, amounts to \$449,319 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, software, infrastructure and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Construction continued and/or began on various utility renovation and expansion projects including the Downtown Water Transmission Line replacement project. Business-type construction in progress at the close of the fiscal year had reached \$20,619.
- Construction continued and/or began on a variety of general governmental facilities including the Regional Center for Applied Technology facility, renovation of the Dobyns-Bennett High School and the Sevier Avenue Widening and Improvement project. Construction in progress at the close of the fiscal year pertaining to these type facilities is \$17,967.

**City of Kingsport's Capital Assets**  
(Net of Depreciation)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 10,143	\$ 4,961	15,104
Buildings and systems	61,734	124,946	186,680
Improvements other than buildings	6,223	6,473	12,696
Machinery and equipment	10,943	815	11,758
Software	93	-	93
Infrastructure	184,401	-	184,401
Construction in progress	<u>17,967</u>	<u>20,619</u>	<u>38,586</u>
Total capital assets	<u>\$291,504</u>	<u>\$157,814</u>	<u>\$449,318</u>

Additional information on the City of Kingsport's capital assets can be found in Note 4.C on pages 58 through 61 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Kingsport had total debt outstanding of \$128,782. All of this debt is backed by the full faith and credit of the government.

**City of Kingsport's Outstanding Debt**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Notes payable	\$ 554	\$ 280	\$ 834
General obligation bonds	54,766	62,043	116,809
Loans from other governments	<u>-</u>	<u>11,139</u>	<u>11,139</u>
Total long-term debt	<u>\$55,320</u>	<u>\$73,462</u>	<u>\$128,782</u>

During the current fiscal year, the City of Kingsport issued general obligation refunding bonds to refinance the Series 1992 Convention Center bonds. The result is expected to be a decrease in future debt service payments of \$267 over the next six years.

The City of Kingsport's total debt decreased by \$3,518 (2.6 %) during the current fiscal year. The City of Kingsport maintains an A1 rating from Moody's Investors Service for its General Obligation debt.

The City of Kingsport is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding general obligation debt supported by utility operations and assessments) shall not exceed 20% of the assessed taxable value of property within the City. The current debt limitation for the City of Kingsport is significantly in excess of the outstanding general obligation debt. Additional information on the City's long-term debt can be found in Note 4.E on pages 64 through 87 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the municipal service area is currently 5.6%, which is an increase of 1.1% from a year ago. This compares to the state's average unemployment rate of 4.8% as of June 30, 2002.
- Inflationary trends in the region are comparable to national indices.
- Housing starts for this fiscal year were 101, compared to the previous year of 135.
- Growth in local sales tax collections is expected to be less than 1% in fiscal year 2003.

Short term interest rates on investments for the City's operating funds declined significantly during fiscal year 2002 with the federal fund rate being reduced from 3.75% to 1.75% by the Federal Reserve Board.

All of these factors were considered in preparing the City of Kingsport's budget for fiscal year 2003.

During the current fiscal year, unreserved fund balance in the general fund increased to \$14,627. All appropriations lapse at year-end. The City of Kingsport has appropriated \$2,261 of this amount for spending in the fiscal year 2003 budget. It is intended that use of available fund balance will minimize the need to raise taxes or charges during fiscal year 2003.

Water and sewer rates were increased for fiscal year 2003 by an average of 10% and 13%, respectively, for all customers. These rate increases were necessary to fund operations and to finance debt service on the new debt scheduled to be issued during fiscal year 2003.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Kingsport's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Kingsport, Finance Department Director, 225 West Center Street, Kingsport, Tennessee 37660.

Requests for the separately issued financial statements of the Emergency Communications District of the City of Kingsport, Tennessee (a discretely presented component unit) should be addressed to Emergency Communications District, 200 Shelby Street, Kingsport, Tennessee 37660.

## CITY OF KINGSPORT, TENNESSEE

## STATEMENT OF NET ASSETS

June 30, 2002

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Industrial Development Board	Emergency Communications District
<b>ASSETS:</b>					
Cash in Bank	\$ 1,152,155	13,900	1,166,055	542,831	842,110
Cash with Fiscal Agent	-	39,487	39,487	-	-
Equity in Pooled Cash and Investments	27,394,344	2,087,192	29,481,536	-	-
Long-Term Certificates of Deposit	548,000	-	548,000	209,000	-
Investments	2,919,049	850,675	3,769,724	86,206	-
Receivables, net	26,147,560	3,083,330	29,230,890	61,268	31,721
Due from Other Governments	17,937,548	1,848,905	19,786,453	-	9,362
Due from Component Unit	36,104	-	36,104	-	-
Internal Balances	2,745,302	-	2,745,302	-	-
Inventories	361,182	473,040	834,222	-	-
Prepaid Items	118,170	5,332	123,502	-	-
Deferred Charges	-	-	-	-	-
Land Held for Sale or Development	-	-	-	5,804,821	-
Restricted Assets:					
Cash	9,022,995	14,634,750	23,657,745	-	-
Investments	1,799,566	64,472	1,864,038	199,636	-
Receivables	-	-	-	546,950	-
Capital Assets:					
Land	10,142,723	4,961,315	15,104,038	-	-
Buildings and System	83,702,925	177,348,385	261,051,310	-	-
Improvements other than Buildings	9,138,136	7,843,030	16,981,166	51,382	-
Machinery and Equipment	25,657,103	3,586,547	29,243,650	-	146,603
Software	144,181	-	144,181	-	-
Infrastructure	253,357,434	-	253,357,434	-	-
Construction in Progress	17,967,094	20,618,803	38,585,897	-	-
Less: Accumulated Depreciation	(108,605,474)	(56,543,893)	(165,149,367)	(39,212)	(40,191)
Other Assets, net	61,559	610,695	672,254	-	-
Total Assets	381,747,656	181,525,965	563,273,621	7,462,882	989,605
<b>LIABILITIES:</b>					
Accounts Payable and Other Current Liabilities	7,789,747	1,083,650	8,873,397	9,934	4,839
Compensated Absences Payable	2,025,033	344,183	2,369,216	-	-
Matured Bonds and Interest Payable	-	446,977	446,977	-	-
Accrued Interest Payable	-	389,777	389,777	-	-
Due to Primary Government	-	-	-	36,104	-
Due to Other Governments	22,827	-	22,827	-	-
Internal Balances	-	2,745,302	2,745,302	-	-
Unearned Revenues	35,423,045	-	35,423,045	-	-
Liabilities Payable from Restricted Assets	145,316	461,192	606,508	-	-
Arbitrage Rebate Payable	191,464	460,474	651,938	-	-
Noncurrent Liabilities:					
Due Within One Year	7,506,000	8,788,775	16,294,775	-	-
Due in More Than One Year	47,814,110	64,186,385	112,000,495	-	-
Total Liabilities	100,917,542	78,906,715	179,824,257	46,038	4,839
<b>NET ASSETS:</b>					
Invested in Capital Assets, Net of Related Debt	234,544,530	98,946,278	333,490,808	12,170	106,412
Restricted for:					
Debt Service	-	79,900	79,900	-	-
Capital Improvements	8,827,045	965,743	9,792,788	-	-
Perpetual Care	153,970	-	153,970	-	-
Unrestricted	37,304,569	2,627,329	39,931,898	7,404,674	878,354
Total Net Assets	\$ 280,830,114	102,619,250	383,449,364	7,416,844	984,766

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2002

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Industrial Development Board	Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	5,529,991	1,564,040	205,143	254,778	(3,506,030)	-	(3,506,030)	-	-
Public Safety	12,631,249	140,439	242,733	-	(12,248,077)	-	(12,248,077)	-	-
Public Works	9,278,959	-	-	-	(9,278,959)	-	(9,278,959)	-	-
Highway Transportation Planning	2,033,799	50,902	516,936	248,344	(1,217,617)	-	(1,217,617)	-	-
Economic and Physical Development	3,128,408	247,470	726,029	-	(2,154,909)	-	(2,154,909)	-	-
Culture and Recreation	4,096,242	562,517	31,770	-	(3,501,955)	-	(3,501,955)	-	-
Education	47,839,680	2,583,651	3,930,537	317,453	(41,008,039)	-	(41,008,039)	-	-
Interest on Long-Term Debt	2,712,874	-	-	-	(2,712,874)	-	(2,712,874)	-	-
Other	234,164	-	-	-	(234,164)	-	(234,164)	-	-
Total Governmental Activities	87,485,366	5,149,019	5,653,148	820,575	(75,862,624)	-	(75,862,624)	-	-
Business-Type Activities:									
Water	8,215,883	10,157,440	-	-	-	1,941,557	1,941,557	-	-
Sewer	8,014,552	10,348,982	-	200,525	-	2,534,955	2,534,955	-	-
Solid Waste Management	2,794,193	390,643	-	-	-	(2,403,550)	(2,403,550)	-	-
MeadowView Conference Resort and Convention Center	2,116,654	239,333	-	-	-	(1,877,321)	(1,877,321)	-	-
Cattails at MeadowView Golf Course	1,351,473	1,132,389	-	-	-	(219,084)	(219,084)	-	-
Total Business-Type Activities	22,492,755	22,268,787	-	200,525	-	(23,443)	(23,443)	-	-
Total Primary Government	109,978,121	27,417,806	5,653,148	1,021,100	(75,862,624)	(23,443)	(75,886,067)	-	-
Component Units:									
Industrial Development Board	407,261	191,900	-	-	-	-	-	(215,361)	-
Emergency Communications District	274,741	430,279	-	-	-	-	-	-	155,538
Total Component Units	682,002	622,179	-	-	-	-	-	(215,361)	155,538
General Revenues:									
Property Taxes					35,253,798	-	35,253,798	-	-
Sales Taxes					23,874,443	-	23,874,443	-	-
Motor Fuel Taxes					1,254,853	-	1,254,853	-	-
Alcoholic Beverage Taxes					1,306,725	-	1,306,725	-	-
Occupational Licenses and Business Taxes					1,427,414	-	1,427,414	-	-
Hotel/Motel Taxes					716,739	-	716,739	-	-
Income Taxes					663,784	-	663,784	-	-
State Aid - Formula Grants					15,968,672	-	15,968,672	-	-
Grants and Contributions Not Restricted to Specific Programs					986,470	-	986,470	-	-
Unrestricted Investment Earnings					1,117,683	442,085	1,559,768	90,001	20,076
Gain (Loss) on Disposal of Capital Assets					19,752	(5,475)	14,277	-	-
Miscellaneous					621,409	-	621,409	-	-
Transfers					(5,066,714)	5,066,714	-	-	-
Total General Revenues and Transfers					78,145,028	5,503,324	83,648,352	90,001	20,076
Change in Net Assets					2,282,404	5,479,881	7,762,285	(125,360)	175,614
Net Assets - Beginning (Restated)					278,547,710	97,139,369	375,687,079	7,542,204	809,152
Net Assets - Ending					280,830,114	102,619,250	383,449,364	7,416,844	984,766

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2002

	General Fund	General Purpose School Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>					
Cash in Bank	\$ 15,656	-	-	1,136,499	1,152,155
Equity in Pooled Cash and Investments	17,817,776	1,172,826	3,816,758	246,476	23,053,836
Long-Term Certificates of Deposit	-	-	-	198,000	198,000
Investments	-	-	-	2,919,049	2,919,049
Taxes Receivable, net	25,689,314	-	-	-	25,689,314
Accounts Receivable, net	465,249	9,365	-	13,291	487,905
Due from Other Governments	3,915,051	11,986,058	198,137	1,838,302	17,937,548
Due from Other Funds	3,731,961	484,541	-	-	4,216,502
Inventories	-	37,496	-	84,895	122,391
Prepaid Items	8,213	-	-	-	8,213
Cash - Restricted	-	-	4,233,403	-	4,233,403
Investments - Restricted	-	-	1,333,023	-	1,333,023
Total Assets	<u>51,643,220</u>	<u>13,690,286</u>	<u>9,581,321</u>	<u>6,436,512</u>	<u>81,351,339</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>Liabilities:</u>					
Accounts Payable	236,174	224,382	672,038	327,482	1,460,076
Compensated Absences Payable	1,617,301	339,052	-	-	1,956,353
Other Liabilities	6,185,657	5,176	-	-	6,190,833
Due to Other Governments	22,827	-	-	-	22,827
Due to Other Funds	-	-	-	1,471,201	1,471,201
Deferred Revenue	25,852,654	10,434,240	-	97,805	36,384,699
Contracts Payable	-	-	145,316	-	145,316
Arbitrage Rebate Payable	191,464	-	-	-	191,464
Total Liabilities	<u>34,106,077</u>	<u>11,002,850</u>	<u>817,354</u>	<u>1,896,488</u>	<u>47,822,769</u>
<u>Fund Balances:</u>					
Reserved for:					
Encumbrances	168,284	297,399	-	39,481	505,164
Cattails at Meadowview Golf Course Fund	2,712,541	-	-	-	2,712,541
Industrial Park	20,927	-	-	-	20,927
Career Ladder	-	88,715	-	-	88,715
Inventories	-	37,496	-	84,895	122,391
Prepaid Items	8,213	-	-	-	8,213
Perpetual Care	-	-	-	153,970	153,970
Projects	-	15,000	-	35,466	50,466
Unreserved, Reported in:					
General Fund	14,627,178	-	-	-	14,627,178
Special Revenue Funds	-	2,248,826	-	4,198,470	6,447,296
Debt Service Fund	-	-	-	15,130	15,130
Capital Projects Fund	-	-	8,763,967	12,612	8,776,579
Total Fund Balances	<u>17,537,143</u>	<u>2,687,436</u>	<u>8,763,967</u>	<u>4,540,024</u>	<u>33,528,570</u>
Total Liabilities and Fund Balances	<u>\$ 51,643,220</u>	<u>13,690,286</u>	<u>9,581,321</u>	<u>6,436,512</u>	<u>81,351,339</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2002

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balances of Governmental Funds	\$ 33,528,570
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	285,437,901
Property tax assessments are reported as revenue in the government-wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as deferred revenue until paid by property owners.	961,654
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	31,559
Internal service funds are used by management to charge the costs of fleet maintenance and employee insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	16,190,540
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(55,320,110)</u>
Net Assets of Governmental Activities	<u><u>\$ 280,830,114</u></u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2002

	General Fund	General Purpose School Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>					
Taxes	\$ 27,468,164	16,175,792	-	-	43,643,956
Licenses and Permits	401,240	-	-	-	401,240
Intergovernmental	17,960,979	16,040,981	224,183	9,799,127	44,025,270
Charges for Services	2,000,096	1,205,295	-	1,437,511	4,642,902
Fines and Forfeitures	365,678	-	-	140,439	506,117
Investment Earnings	538,285	22,721	112,491	87,397	760,894
Contributions and Donations	15,435	-	30,595	27,245	73,275
Miscellaneous	59,620	213,743	-	-	273,363
Total Revenues	48,809,497	33,658,532	367,269	11,491,719	94,327,017
<u>EXPENDITURES:</u>					
Current:					
General Government	5,159,413	-	-	166,384	5,325,797
Public Safety	12,140,857	-	-	55,096	12,195,953
Public Works	4,447,972	-	-	-	4,447,972
Highway Transportation Planning	-	-	-	2,033,799	2,033,799
Economic and Physical Development	2,434,547	-	-	542,975	2,977,522
Culture and Recreation	3,169,195	-	-	20,935	3,190,130
Education	-	39,239,037	-	5,349,534	44,588,571
Miscellaneous	220,312	-	-	-	220,312
Debt Service:					
Principal	-	-	-	6,627,888	6,627,888
Interest	-	-	-	2,712,874	2,712,874
Bond Issuance Costs	-	-	-	33,813	33,813
Miscellaneous	-	-	-	13,852	13,852
Capital Outlay	95,623	911,526	5,788,649	572,370	7,368,168
Total Expenditures	27,667,919	40,150,563	5,788,649	18,129,520	91,736,651
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,141,578	(6,492,031)	(5,421,380)	(6,637,801)	2,590,366
<u>OTHER FINANCING SOURCES (USES):</u>					
Transfer In	6,504	12,815,173	2,236,642	9,767,974	24,826,293
Transfers Out	(21,128,307)	(5,873,163)	(126,402)	(2,869,982)	(29,997,854)
Bond Proceeds	-	-	2,620,000	-	2,620,000
Total Other Financing Sources (Uses)	(21,121,803)	6,942,010	4,730,240	6,897,992	(2,551,561)
Net Change in Fund Balances	19,775	449,979	(691,140)	260,191	38,805
Fund Balances, July 1, 2001	16,752,290	1,658,899	9,455,107	4,280,590	32,146,886
Prior Period Adjustments:					
Accrued Payroll, June 30, 2001	(772,515)	-	-	-	(772,515)
Accrued Compensated Absences, June 30, 2001	(197,743)	(342,913)	-	-	(540,656)
Accrued Tax Revenues, June 30, 2001	1,735,336	921,471	-	(757)	2,656,050
Fund Balances, June 30, 2002	\$ 17,537,143	2,687,436	8,763,967	4,540,024	33,528,570

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2002

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances of Governmental Funds	\$ 38,805
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlays.	(2,368,406)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	130,926
Internal service funds are used by management to charge the costs of fleet maintenance and employee insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	441,632
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>4,039,447</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 2,282,404</u></u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Taxes:				
General Property Taxes	\$ 22,872,683	24,100,683	24,392,686	292,003
Gross Receipts Taxes	2,535,121	2,714,500	3,075,478	360,978
Licenses and Permits	297,790	297,790	401,240	103,450
Intergovernmental:				
Federal	189,500	189,500	149,429	(40,071)
State	4,502,471	4,595,091	4,243,707	(351,384)
County	12,691,282	13,024,282	13,368,135	343,853
Local	232,461	232,461	199,708	(32,753)
Charges for Services	3,447,179	2,257,383	2,000,096	(257,287)
Fines and Forfeitures	347,500	347,500	365,678	18,178
Investment Earnings	1,350,000	1,013,000	538,285	(474,715)
Contributions and Donations	15,435	15,435	15,435	-
Miscellaneous	66,893	66,893	59,620	(7,273)
Total Revenues	48,548,315	48,854,518	48,809,497	(45,021)
<u>EXPENDITURES:</u>				
General Government:				
Board of Mayor and Aldermen	81,542	80,741	74,595	6,146
Judicial	25,555	25,555	20,955	4,600
City Attorney	357,243	357,243	322,986	34,257
City Manager	437,672	453,698	394,485	59,213
Special Programs	1,204,032	1,248,242	1,247,070	1,172
Public Information Office	189,218	183,225	160,323	22,902
Personnel	543,747	588,747	563,266	25,481
Purchasing	206,739	206,739	189,506	17,233
Finance Administration	1,308,118	1,271,369	1,226,611	44,758
Information Services	831,769	833,530	823,079	10,451
Geographic Information	221,020	221,020	211,188	9,832
Total General Government	5,406,655	5,470,109	5,234,064	236,045
Public Safety:				
Police Administration	1,633,246	1,477,555	1,480,178	(2,623)
Jail Operations	18,850	25,051	25,044	7
Training	54,770	49,419	51,168	(1,749)
Accreditation	10,250	10,400	9,643	757
Investigations	859,521	938,913	938,889	24
Patrol Division	3,369,840	3,617,528	3,663,793	(46,265)
Animal Control	45,062	45,352	33,772	11,580
Central Dispatch	640,754	601,560	593,068	8,492
Communications	168,433	178,436	175,424	3,012
Fire Control and Prevention	4,963,561	5,180,411	5,181,403	(992)
Total Public Safety	11,764,287	12,124,625	12,152,382	(27,757)

(Continued)

EXPENDITURES (CONTINUED):

Public Works:

CITY OF KINGSPORT, TENNESSEE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Administration	311,561	369,679	343,074	26,605
Street Cleaning	323,551	350,963	302,932	48,031
Street Maintenance	1,343,322	1,218,720	1,189,722	28,998
Property Maintenance	231,632	217,407	205,878	11,529
Building Maintenance	1,040,191	995,205	1,166,592	(171,387)
Grounds Maintenance	1,119,757	1,115,531	1,017,944	97,587
Parks Maintenance	182,411	232,753	231,277	1,476
Total Public Works	4,552,425	4,500,258	4,457,419	42,839
Economic and Physical Development:				
Administration	312,893	312,893	270,189	42,704
Planning	368,820	368,820	285,653	83,167
Metropolitan Planning Office	120,992	120,992	136,202	(15,210)
Transportation	713,940	677,832	686,911	(9,079)
Engineering	608,089	713,301	694,789	18,512
Code Enforcement	386,626	386,626	360,803	25,823
Total Economic and Physical Development	2,511,360	2,580,464	2,434,547	145,917
Culture and Recreation:				
Administration	211,689	213,037	205,406	7,631
Parks and Recreation Centers	204,472	197,469	168,792	28,677
Swimming Pools	100,530	100,530	96,764	3,766
Athletics	550,679	562,803	516,075	46,728
Cultural Arts	213,703	212,958	192,510	20,448
Allandale	180,320	168,295	160,879	7,416
Senior Citizens Center	322,378	340,796	324,642	16,154
Bays Mountain Park	802,208	805,085	778,209	26,876
Library	752,926	756,361	725,918	30,443
Total Culture and Recreation	3,338,905	3,357,334	3,169,195	188,139
Miscellaneous	196,600	233,909	220,312	13,597
Total Expenditures	27,770,232	28,266,699	27,667,919	598,780
Excess of Revenues Over Expenditures	20,778,083	20,587,819	21,141,578	553,759

(Continued)

CITY OF KINGSPORT, TENNESSEE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	-	-	6,504	(6,504)
Transfers Out	(20,777,683)	(22,190,935)	(21,128,307)	(1,062,628)
Total Other Financing Sources (Uses)	(20,777,683)	(22,190,935)	(21,121,803)	(1,069,132)
Net Change in Fund Balances	400	(1,603,116)	19,775	1,622,891
Adjusted Fund Balances, July 1, 2001	17,517,368	17,517,368	17,517,368	-
Fund Balances, June 30, 2002	<u>\$ 17,517,768</u>	<u>15,914,252</u>	<u>17,537,143</u>	<u>1,622,891</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES:</u>				
Taxes:				
General Property Taxes	\$ 10,235,000	10,235,000	10,517,536	282,536
Pick Up Taxes	85,000	85,000	130,164	45,164
Clerk and Masters Tax	140,000	140,000	82,486	(57,514)
Business Taxes	65,000	-	71,893	71,893
Local Option Sales Tax	5,225,000	5,225,000	5,317,184	92,184
Other Statutory Local Taxes	50,000	50,000	56,529	6,529
Intergovernmental:				
Federal	175,850	175,850	215,063	39,213
State	15,819,700	15,819,700	15,753,609	(66,091)
County	85,000	85,000	72,309	(12,691)
Charges for Services	1,180,650	1,351,650	1,205,295	(146,355)
Investment Earnings	175,000	175,000	22,721	(152,279)
Miscellaneous	80,000	205,712	213,743	8,031
Total Revenues	33,316,200	33,547,912	33,658,532	110,620
<u>EXPENDITURES:</u>				
Instruction:				
Regular	22,218,196	22,113,231	21,882,659	230,572
Special Education	3,292,950	3,304,950	3,266,133	38,817
Vocational	802,600	832,900	827,045	5,855
Adult Education	185,700	194,100	190,709	3,391
Total Instruction	26,499,446	26,445,181	26,166,546	278,635
Student Support Services:				
Attendance	49,020	49,820	49,506	314
Health Services	285,664	275,100	274,283	817
Other	1,151,300	1,182,532	1,183,242	(710)
Total Student Support Services	1,485,984	1,507,452	1,507,031	421
Instructional Staff Support Services:				
Regular	2,105,512	2,107,881	2,109,048	(1,167)
Special Education	283,490	284,590	284,867	(277)
Vocational	124,940	116,298	113,318	2,980
Adult Education	129,585	130,735	127,479	3,256
Total Instructional Staff Support Services	2,643,527	2,639,504	2,634,712	4,792
General Administrative Support Services:				
Board of Education	711,800	735,280	735,917	(637)
Office of the Superintendent	627,950	652,575	659,150	(6,575)
Total General Administrative Support Services	1,339,750	1,387,855	1,395,067	(7,212)

(Continued)

CITY OF KINGSPORT, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
<u>EXPENDITURES (CONTINUED):</u>				
School Administrative Support Services	1,936,867	1,940,223	1,938,335	1,888
Business Administrative Support Services	180,900	182,600	183,793	(1,193)
Operations and Maintenance Support Services:				
Operations	2,878,100	2,911,794	2,904,017	7,777
Plant Maintenance	1,409,350	1,372,674	1,391,905	(19,231)
Total Operations and Maintenance Support Services	4,287,450	4,284,468	4,295,922	(11,454)
Student Transportation Support Services	1,090,725	1,036,475	1,038,167	(1,692)
Noninstructional Services:				
After School Programs	31,000	50,000	46,600	3,400
Community Service	634,650	636,650	602,450	34,200
Total Noninstructional Services	665,650	686,650	649,050	37,600
Capital Outlay	491,601	332,492	341,940	(9,448)
Total Expenditures	40,621,900	40,442,900	40,150,563	292,337
Deficiency of Revenues Under Expenditures	(7,305,700)	(6,894,988)	(6,492,031)	402,957
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	12,921,700	12,921,700	12,815,173	(106,527)
Transfers Out	(5,616,000)	(6,026,712)	(5,873,163)	153,549
Total Other Financing Sources (Uses)	7,305,700	6,894,988	6,942,010	47,022
Net Change in Fund Balances	-	-	449,979	449,979
Adjusted Fund Balances, July 1, 2001	2,237,457	2,237,457	2,237,457	-
Fund Balances, June 30, 2002	\$ 2,237,457	2,237,457	2,687,436	449,979

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2002

	Business-Type Activities - Enterprise Funds						Governmental
	Water Fund	Sewer Fund	Solid Waste Management Fund	Meadow View Conference Resort and Convention Center Fund	Cattails at Meadow View Golf Course Fund	Total Enterprise Funds	Activities - Internal Service Funds
<b>ASSETS:</b>							
Current Assets:							
Cash in Bank	\$ -	-	-	13,900	-	13,900	-
Cash with Fiscal Agent	39,487	-	-	-	-	39,487	-
Equity in Pooled Cash and Investments	1,941,372	(32,295)	17,427	160,688	-	2,087,192	4,340,508
Long-Term Certificates of Deposit	-	-	-	-	-	-	350,000
Investments	-	-	-	783,504	67,171	850,675	-
Receivables, net	1,521,558	1,483,570	42,981	-	35,221	3,083,330	6,445
Due from Other Governments	494,366	1,354,539	-	-	-	1,848,905	-
Inventories	419,042	-	-	-	53,998	473,040	238,791
Prepaid Items	5,332	-	-	-	-	5,332	109,957
Total Current Assets	4,421,157	2,805,814	60,408	958,092	156,390	8,401,861	5,045,701
Noncurrent Assets:							
Restricted Assets:							
Cash	4,766,690	9,720,060	-	148,000	-	14,634,750	4,789,592
Investments	64,472	-	-	-	-	64,472	466,543
Total Restricted Assets	4,831,162	9,720,060	-	148,000	-	14,699,222	5,256,135
Capital Assets:							
Land	639,745	516,352	1,308,121	1,515,497	981,600	4,961,315	14,695
Buildings and System	55,855,874	98,402,001	144,128	21,788,226	1,158,156	177,348,385	-
Improvements other than Buildings	-	-	1,789,864	95,214	5,957,952	7,843,030	-
Machinery and Equipment	1,320,783	994,645	18,560	852,426	400,133	3,586,547	15,832,535
Construction in Progress	5,762,225	14,856,578	-	-	-	20,618,803	-
Less: Accumulated Depreciation	(21,944,030)	(29,771,065)	(521,047)	(2,977,054)	(1,330,697)	(56,543,893)	(9,781,008)
Total Capital Assets	41,634,597	84,998,511	2,739,626	21,274,309	7,167,144	157,814,187	6,066,222
Other Assets:							
Deposits	-	-	-	-	-	-	30,000
Unamortized Bond Costs	179,248	295,508	-	90,387	45,552	610,695	-
Total Other Assets	179,248	295,508	-	90,387	45,552	610,695	30,000
Total Noncurrent Assets	46,645,007	95,014,079	2,739,626	21,512,696	7,212,696	173,124,104	11,352,357
Total Assets	51,066,164	97,819,893	2,800,034	22,470,788	7,369,086	181,525,965	16,398,058
(Continued)							
<b>LIABILITIES:</b>							
Current Liabilities:							
Accounts Payable	190,244	516,552	67,696	30,069	52,516	857,077	60,645
Due to Other Funds	-	-	-	-	2,745,302	2,745,302	-
Compensated Absences Payable	168,245	114,000	61,938	-	-	344,183	68,680
Retainages Payable	155,186	243,006	-	63,000	-	461,192	-
Arbitrage Rebate Payable	162,570	297,904	-	-	-	460,474	-
Matured Bonds Payable	34,262	-	-	-	-	34,262	-
Matured Interest Payable	5,225	-	-	-	-	5,225	-
Accrued Interest Payable	254,234	407,490	-	135,543	-	797,267	-
General Obligation Bonds - Current	2,432,775	3,875,000	-	1,700,000	371,000	8,378,775	-
State Revolving Loan - Current	-	340,000	-	-	-	340,000	-
Consolidated Utility Acquisition - Current	70,000	-	-	-	-	70,000	-
Other Payables	226,573	-	-	-	-	226,573	78,193
Total Current Liabilities	3,699,314	5,793,952	129,634	1,928,612	3,168,818	14,720,330	207,518
Noncurrent Liabilities:							
General Obligation Bonds Payable (Net of Deferred Refunding Cost)	14,913,138	24,523,914	-	9,217,391	4,522,500	53,176,943	-
State Revolving Loan Payable	1,580,647	9,218,795	-	-	-	10,799,442	-
Consolidated Utility Acquisition Payable	210,000	-	-	-	-	210,000	-
Total Noncurrent Liabilities	16,703,785	33,742,709	-	9,217,391	4,522,500	64,186,385	-
Total Liabilities	20,403,099	39,536,661	129,634	11,146,003	7,691,318	78,906,715	207,518
<b>NET ASSETS:</b>							
Invested in Capital Assets, Net of Related Debt	27,073,662	56,502,428	2,739,626	10,356,918	2,273,644	98,946,278	6,066,222
Restricted for Debt Service	64,472	15,428	-	-	-	79,900	-
Restricted for Capital Improvements	-	-	-	896,112	69,631	965,743	-
Unrestricted	3,524,931	1,765,376	(69,226)	71,755	(2,665,507)	2,627,329	10,124,318
Total Net Assets	\$ 30,663,065	58,283,232	2,670,400	11,324,785	(322,232)	102,619,250	16,190,540

See the accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2002

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Solid Waste Management Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Enterprise Funds	
<u>OPERATING REVENUES:</u>							
Charges and Fees	\$ 9,907,398	10,145,022	368,481	239,287	1,132,389	21,792,577	4,885,541
Penalties and Fines	246,538	160,120	-	-	-	406,658	-
Miscellaneous	3,504	43,840	22,162	46	-	69,552	-
Total Operating Revenues	10,157,440	10,348,982	390,643	239,333	1,132,389	22,268,787	4,885,541
<u>OPERATING EXPENSES:</u>							
Operating Costs	5,870,161	3,803,895	2,656,097	489,504	900,602	13,720,259	3,822,454
Depreciation	1,564,701	2,430,728	138,096	674,943	286,623	5,095,091	1,163,018
Total Operating Expenses	7,434,862	6,234,623	2,794,193	1,164,447	1,187,225	18,815,350	4,985,472
Operating Income (Loss)	2,722,578	4,114,359	(2,403,550)	(925,114)	(54,836)	3,453,437	(99,931)
<u>NONOPERATING REVENUES (EXPENSES):</u>							
Investment Earnings	169,081	246,348	5,684	17,238	3,734	442,085	356,789
Interest Expense	(619,709)	(1,326,508)	-	(543,218)	(112,668)	(2,602,103)	-
Gain (Loss) on Disposal of Capital Assets	(2,573)	(2,902)	-	-	-	(5,475)	19,752
Amortization Expense	(52,687)	(41,387)	-	(402,865)	(46,629)	(543,568)	-
Payment in Lieu of Taxes	(133,000)	(408,000)	-	-	-	(541,000)	-
Other	24,375	(4,034)	-	(6,124)	(4,951)	9,266	-
Total Nonoperating Revenues (Expenses)	(614,513)	(1,536,483)	5,684	(934,969)	(160,514)	(3,240,795)	376,541
Income (Loss) Before Contributions and Transfers	2,108,065	2,577,876	(2,397,866)	(1,860,083)	(215,350)	212,642	276,610
Capital Contributions	-	200,525	-	-	-	200,525	-
Transfers In	47,483	113,227	2,496,011	2,514,838	-	5,171,559	165,020
Transfers Out	-	(34,898)	(69,947)	-	-	(104,845)	-
Change in Net Assets	2,155,548	2,856,730	28,198	654,755	(215,350)	5,479,881	441,630
Net Assets, July 1, 2001	26,012,247	51,032,741	2,691,489	10,794,156	(106,882)	90,423,751	15,775,809
Prior Period Adjustments:							
Accrued Payroll, June 30, 2001	(92,563)	(67,420)	(49,287)	-	-	(209,270)	(26,899)
Capital Contributions	2,522,471	4,307,114	-	-	-	6,829,585	-
Community Development Project Costs	65,362	154,067	-	-	-	219,429	-
Accumulated Depreciation, June 30, 2001	-	-	-	(124,126)	-	(124,126)	-
Net Assets, June 30, 2002	\$ 30,663,065	58,283,232	2,670,400	11,324,785	(322,232)	102,619,250	16,190,540

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2002

	Business-Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Solid Waste Management Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>							
Receipts from Customers and Users	\$ 9,007,042	9,019,092	346,962	239,334	1,135,087	19,747,517	4,857,715
Payments to Suppliers	(3,081,263)	(1,861,696)	(1,306,289)	(491,573)	(164,882)	(6,905,703)	(3,032,779)
Payments to Employees	(2,823,106)	(1,856,790)	(1,480,101)	-	(468,353)	(6,628,350)	(946,935)
Net Cash Provided (Used) by Operating Activities	3,102,673	5,300,606	(2,439,428)	(252,239)	501,852	6,213,464	878,001
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>							
Transfers to Other Funds	-	(34,898)	(69,947)	-	-	(104,845)	-
Advances from Other Funds	47,483	113,227	2,496,011	2,514,838	-	5,171,559	-
Payment in Lieu of Taxes	(133,000)	(408,000)	-	-	-	(541,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(85,517)	(329,671)	2,426,064	2,514,838	-	4,525,714	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>							
Proceeds from Capital Debt	2,998,045	4,814,859	-	9,585,000	-	17,397,904	-
Acquisition and Construction of Capital Assets	(4,254,047)	(6,171,181)	(34,496)	-	(79,553)	(10,539,277)	(660,910)
Principal Paid on Capital Debt	(2,239,104)	(3,515,157)	-	(10,972,609)	(290,000)	(17,016,870)	-
Interest Paid on Capital Debt	(607,472)	(1,346,298)	-	(644,643)	(112,668)	(2,711,081)	-
Proceeds from Sales of Capital Assets	192,671	50,443	-	-	-	243,114	18,804
Bond Issue Costs Paid	(55,337)	(36,011)	-	(2,685)	-	(94,033)	-
Fiscal Agent Fees Paid	(3,625)	(4,034)	-	-	-	(7,659)	-
Net Cash Used by Capital and Related Financing Activities	(3,968,869)	(6,207,379)	(34,496)	(2,034,937)	(482,221)	(12,727,902)	(642,106)

(Continued)

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2002

	Business-Type Activities - Enterprise Funds						Governmental
	Water Fund	Sewer Fund	Solid Waste Management Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Enterprise Funds	Activities - Internal Service Funds
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>							
Proceeds from Sales and Maturities of Investments	4,443	-	-	-	-	4,443	932,572
Purchase of Investments	-	-	-	(160,408)	(23,365)	(183,773)	(465,616)
Interest Received	169,081	246,348	5,684	17,238	3,734	442,085	327,401
Net Cash Provided (Used) by Investing Activities	173,524	246,348	5,684	(143,170)	(19,631)	262,755	794,357
Net Increase (Decrease) in Cash and Cash Equivalents	(778,189)	(990,096)	(42,176)	84,492	-	(1,725,969)	1,030,252
Cash and Cash Equivalents, July 1, 2001	7,525,738	10,677,861	59,603	238,096	-	18,501,298	8,099,848
Cash and Cash Equivalents, June 30, 2002	<u>\$ 6,747,549</u>	<u>9,687,765</u>	<u>17,427</u>	<u>322,588</u>	<u>-</u>	<u>16,775,329</u>	<u>9,130,100</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>							
Operating Income (Loss)	\$ 2,722,578	4,114,359	(2,403,550)	(925,114)	(54,836)	3,453,437	(99,931)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	1,564,701	2,430,728	138,096	674,943	286,623	5,095,091	1,163,018
(Gain) Loss on Disposals of Capital Assets	2,573	2,902	-	-	-	5,475	(19,752)
(Increase) Decrease in Assets:							
Receivables	(702,547)	(656,100)	(21,610)	-	2,699	(1,377,558)	(92)
Due from Other Governments	(447,851)	(664,006)	-	-	-	(1,111,857)	-
Inventories	(11,257)	-	-	-	4,430	(6,827)	(506)
Prepaid Items	(4,513)	-	-	-	-	(4,513)	(37,178)
Increase (Decrease) in Liabilities:							
Accounts Payable	(104,525)	211,956	(154,611)	(2,068)	52,516	3,268	(164,596)
Due to Other Funds	-	-	-	-	210,420	210,420	-
Compensated Absences Payable	9,427	125	2,247	-	-	11,799	6,666
Retainages Payable	41,359	(139,358)	-	-	-	(97,999)	-
Other Payables	32,728	-	-	-	-	32,728	30,372
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,102,673</u>	<u>5,300,606</u>	<u>(2,439,428)</u>	<u>(252,239)</u>	<u>501,852</u>	<u>6,213,464</u>	<u>878,001</u>

(Continued)

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2002

	Business-Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Solid Waste Management Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>							
Transfer of Intangible Assets to Capital Assets, Net of Related Accumulated Depreciation	\$ -	-	-	1,861,881	-	1,861,881	-
Capital Contributions, Net of Related Accumulated Depreciation	\$ 2,522,471	4,398,490	-	-	-	6,920,961	-
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET ASSETS:</u>							
Cash in Bank	\$ -	-	-	13,900	-	13,900	-
Cash with Fiscal Agent	39,487	-	-	-	-	39,487	-
Equity in Pooled Cash and Investments	1,941,372	(32,295)	17,427	160,688	-	2,087,192	4,340,508
Restricted Assets - Cash	4,766,690	9,720,060	-	148,000	-	14,634,750	4,789,592
Cash and Cash Equivalents, June 30, 2002	\$ 6,747,549	9,687,765	17,427	322,588	-	16,775,329	9,130,100

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2002

	<u>Payroll Clearing Fund</u>
<u>ASSETS:</u>	
Equity in Pooled Cash and Investments	\$ 6,007,174
Accounts Receivable	<u>2,356</u>
Total Assets	<u>6,009,530</u>
 <u>LIABILITIES:</u>	
Accrued Payroll	3,269,333
Other Liabilities	<u>2,740,197</u>
Total Liabilities	<u>6,009,530</u>
 <u>NET ASSETS -</u>	
Unrestricted	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
June 30, 2002

	Industrial Development Board	Emergency Communications District
<u>ASSETS:</u>		
Current Assets:		
Cash in Bank	\$ 542,831	842,110
Long-Term Certificates of Deposit	209,000	-
Investments	86,206	-
Receivables, net	61,268	31,721
Due from Other Governments	-	9,362
Land Held for Sale or Development	5,804,821	-
Total Current Assets	<u>6,704,126</u>	<u>883,193</u>
Capital Assets:		
Improvements other than Buildings	51,382	-
Machinery and Equipment	-	146,603
Less: Accumulated Depreciation	(39,212)	(40,191)
Total Capital Assets	<u>12,170</u>	<u>106,412</u>
Restric Net Cash Provided (Used) by Investing Activities		
Investments	199,636	-
Due from Phipps Bend Joint Venture	546,950	-
Total Restricted Assets	<u>746,586</u>	<u>-</u>
Total Assets	<u>7,462,882</u>	<u>989,605</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts Payable	9,934	4,839
Due to Primary Government	36,104	-
Total Liabilities	<u>46,038</u>	<u>4,839</u>
<u>NET ASSETS:</u>		
Invested in Capital Assets	12,170	106,412
Unrestricted	7,404,674	878,354
Total Net Assets	<u>\$ 7,416,844</u>	<u>984,766</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
For the Year Ended June 30, 2002

	Industrial Development Board	Emergency Communications District
<u>OPERATING REVENUES -</u>		
Charges for Services	\$ 191,900	430,279
Total Operating Revenue	191,900	430,279
<u>OPERATING EXPENSES:</u>		
Operating Costs	403,795	260,476
Depreciation	3,466	14,265
Total Operating Expenses	407,261	274,741
Operating Income (Loss)	(215,361)	155,538
<u>NONOPERATING REVENUES -</u>		
Investment Earnings	90,001	20,076
Change Net Cash Provided (Used) by Investing Activities	(125,360)	175,614
Net Assets, July 1, 2001	7,572,804	809,152
Prior Period Adjustment - Reduction of Receivable Previously Recorded as Revenue	(30,600)	-
Net Assets, June 30, 2002	\$ 7,416,844	984,766

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF CASH FLOWS  
DISCRETELY PRESENTED COMPONENT UNITS  
For the Year Ended June 30, 2002

	Industrial Development Board	Emergency Communications District
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from Customers and Users	\$ 450,140	439,006
Payments to Suppliers	(158,939)	(252,070)
Net Cash Provided by Operating Activities	291,201	186,936
<u>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:</u>		
Purchases of Capital Assets	(6,500)	(45,310)
Net Cash Used by Capital and Related Financing Activities	(6,500)	(45,310)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from Sales and Maturities of Investments	168,455	-
Purchase of Investments	(256,108)	-
Interest Received	10,577	20,076
Net Cash Provided (Used) by Investing Activities	(77,076)	20,076
Net Increase in Cash and Cash Equivalents	207,625	161,702
Cash and Cash Equivalents, July 1, 2001	335,206	680,408
Cash and Cash Equivalents, June 30, 2002	\$ 542,831	842,110
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ (215,361)	155,538
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	3,466	14,265
(Increase) Decrease in Assets:		
Accounts Receivable	258,240	1,180
Due from Other Governments	-	21,342
Land Held for Sale or Development	294,657	-
Prepaid Items	-	600
Decrease in Accounts Payable	(49,801)	(5,989)
Net Cash Provided by Operating Activities	\$ 291,201	186,936

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Kingsport, Tennessee (the City) was incorporated in 1917 and operates under a Council-Manager form of government. The City is an industrial community in the foothills of the Appalachian Mountains. Along with two other comparably-sized cities within a 20-mile radius, the City is part of a 12 county area in northeast Tennessee and southwest Virginia known as the Tri-Cities Tennessee/Virginia region.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. The Governmental Accounting and Financial Reporting Standards, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Effective July 1, 2001, the City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Accordingly, retroactive reporting of infrastructure amounts is reflected in these financial statements.

**A. Reporting entity**

The City is a Tennessee municipal corporation governed by an elected mayor and six aldermen (Board of Mayor and Aldermen) (BMA). The accompanying financial statements present the City (primary government) and its component units, entities for which the City is considered to be financially accountable. The City is financially accountable if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on the organization or (2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for description) to emphasize that those entities are legally separate from the City.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**A. Reporting entity (continued)**

**Discretely Presented Component Units**

Proprietary Fund Type

***The Industrial Development Board of the City of Kingsport, Tennessee (IDBK)*** – The IDBK was incorporated on February 11, 1986, under the provisions of the State of Tennessee constitution and general statutes. The purpose of the IDBK is to finance, acquire, own, lease, and/or dispose of properties to maintain and increase employment opportunities in the City. The IDBK consists of nine members, all of whom are appointed by the City's BMA.

***Emergency Communications District of the City of Kingsport, Tennessee (ECD)*** – The ECD was created by referendum on January 11, 1994, the results of which were certified on January 20, 1994. The purpose of the ECD is to oversee the operations of the 911 emergency telephone service. Their Board consists of nine members, all of whom are appointed by the City's BMA. Separately issued financial statements may be requested from the ECD administrative offices.

Emergency Communications District of the City of Kingsport  
200 Shelby Street  
Kingsport, Tennessee 37660

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**B. Government-wide and fund financial statements (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for local revenues, 120 days for state-shared revenues, and 365 days for grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In general, taxes, licenses, federal and state grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Business taxes are not considered measurable and therefore are not susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

The *general purpose school fund* accounts for transactions of the City School System. The major sources of funding are state-shared revenues and local property and sales taxes.

The *capital projects fund* accounts for financial resources used for the acquisition or construction of major capital facilities related to the general operation of the City (excluding capital improvements financed by enterprise funds).

The City reports the following nonmajor governmental funds:

The *school food and nutrition services fund* accounts for the activities of the City School System cafeterias.

The *special school project fund* accounts for the activities of various grant funded school projects.

The *public law 93-380 fund* accounts for the activities of providing specific academic programs in compliance with federal grant entitlements.

The *Palmer Center fund* accounts for a contribution from the heirs of the late Mary L. Robinson estate, for the support of educational and other services provided to physically challenged children by the Palmer Center.

The *special revenue general projects fund* accounts for federal and state grants matched with local revenues to fund general government programs or non-capital improvement projects.

The *community development fund* accounts for the activities funded by community block grant entitlements from the United States Department of Housing and Urban Development.

The *urban mass transportation administration fund* accounts for the activities funded by federal and state grants for support of local government transportation programs.

The *state street aid fund* accounts for the activities funded by state gasoline taxes.

The *drug fund* accounts for the activities of drug investigations and enforcement.

The *criminal forfeiture fund* accounts for the activities related to seized property and money with the exception of those related to drug activities. In addition, this fund accounts for funds received from the United States Department of Justice under the Equitable Sharing of Federally Forfeited Property program.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

The *regional sales tax revenue fund* accounts for the proceeds from a \$.0025 local sales tax previously approved by local referendum. These funds are earmarked for the retirement of debt issued to fund construction of the Meadowview Conference Resort and Convention Center and to support the operations of the facility.

The *public library commission fund* accounts for contributions from patrons, civic organizations, private corporations and other supporters of the Kingsport Public Library.

The *Bays Mountain fund* accounts for contributions from individuals, civic organizations and private corporations for the support and continued development of the Bays Mountain Park.

The *senior citizens advisory board fund* accounts for revenues earned from various programs and events conducted by participating senior citizens and contributions from individuals, civic organizations and private corporations.

The *local law enforcement fund* accounts for direct federal grant funds received from the United States Department of Justice that are used for the purchase of equipment utilized in law enforcement.

The *debt service fund* accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt other than that payable from enterprise funds.

The *industrial development project fund* accounts for the expenditure of funds appropriated from the Industrial Development Reserve or other sources for the purpose of industrial site acquisitions, capital improvements and lump sum disbursement to the IDBK, for the purposes specified by the BMA.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's production, storage and transportation of potable water.

The *sewer fund* accounts for the activities of the City's collection, transportation, treatment and disposal of wastewater.

The *solid waste management fund* accounts for the activities of the City's collection of residential garbage, refuse collection and recycling activities.

The *Meadowview Conference Resort and Convention Center fund* accounts for the activities of the City's outsourced operation (through Marriott) of the convention center.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

The *Cattails at Meadowview Golf Course fund* accounts for the activities of the City's outsourced operation (through Marriott Golf) of the 18-hole championship golf course.

Additionally, the City reports the following fund types:

*Internal service funds* account for risk management and fleet management services provided to other departments or agencies of the government on a cost reimbursement basis.

The *permanent fund* accounts for nonexpendable assets left to the City by the late Harvey Brooks, consisting of his home (Allandale Mansion) and other tangible and intangible assets. The fund's earnings are used for the maintenance and operation of the estate.

The *agency fund* accounts for the assets and liabilities associated with employee wages and compensation.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of all of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity (police, fire, public works, etc.).

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**D. Assets, liabilities and net assets or equity**

*1. Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes impose various restrictions on the City's, IDBK's, and ECD's deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

DEPOSITS - All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits.

INVESTMENTS - State statutes authorize the City to invest in treasury bonds, notes or bills of the United States of America; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States of America or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States of America or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool (LGIP); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as Certificates of Deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. The longest maturity held within the LGIP as of June 30, 2002 was 13 months and by law the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares.

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. In general, cash overdrafts are reflected in the financial statements as due to other funds. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Investments for the City, as well as for its component units, are reported at fair value.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**D. Assets, liabilities and net assets or equity (continued)**

*2. Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable and trade receivables allowance accounts are based on prior years' collection experience.

All property values are assessed on January 1 of each year. Property taxes receivable are recorded at this lien date. All real and personal property taxes are due and payable on the levy date of November 1 of each year, at which time the receivable is recognized as revenue. All unpaid property taxes become delinquent on December 1 (30 days from date of levy). A penalty of 2% is imposed on unpaid property taxes as of December 1. A penalty of 2% is imposed for the next month and an additional penalty of 1% is imposed for each month thereafter until paid, or the property is sold as authorized by law.

*3. Inventories and prepaid items*

All inventories are valued at cost utilizing the weighted average method of valuation. Inventories of governmental and proprietary funds are recorded as expenditures or expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

*4. Restricted assets*

Certain cash and investment balances of the City are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by certain agreements and contracts with third parties. Restricted cash includes sinking fund accounts established to meet the requirements of certain bonds issues, escrow for construction contractors established to fund retainages of outstanding construction projects upon their completion, and working capital for outsourced operations of City facilities. Restricted investments include borrowed funds obligated for construction projects that have not been completed at the end of the fiscal year.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**D. Assets, liabilities and net assets or equity (continued)**

*5. Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5 and an estimated useful life in excess of two years for property, plant and equipment and assets with an initial, individual cost of more than \$100 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water fund and sewer fund during the current fiscal year was \$875 and \$1,671, respectively. Of these amounts, \$255 and \$345, respectively, were included as part of the cost of capital assets under construction in each of these funds in connection with water and sewer line replacement and extension construction projects.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Roads and bridges	50
Buildings and building improvements	30
Golf course improvements	15
Landfill improvements	25
Utility lines	45
Machinery, equipment and heavy vehicles	10
Automobiles	5

*6. Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation days and sick leave benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental and proprietary funds.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**D. Assets, liabilities and net assets or equity (continued)**

It is also the City's policy to permit employees from certain departments of the City to accumulate earned but unused compensation time (comp time) for excess hours worked in lieu of overtime payments. All comp time is accrued when incurred in the government-wide financial statements. A liability for these amounts has been recorded in the governmental funds.

*7. Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*8. Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*9. Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reporting in the funds.” The details of this \$285,438 difference are as follows:

Governmental funds capital assets	\$ 384,262
Less: accumulated depreciation	<u>(98,824)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>285,438</u>

Another element of that reconciliation explains that “other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of this \$32 difference are as follows:

Deferred bond issuance costs	\$ 34
Less: accumulated amortization	<u>(2)</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>32</u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$55,320 difference are as follows:

Bonds payable	\$ 54,766
Notes payable	<u>554</u>
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>55,320</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlays.” The details of this \$2,368 difference are as follows:

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**  
**(CONTINUED):**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)**

Capital outlay	\$ 7,368
Depreciation expense	<u>(9,736)</u>
Net adjustment to reduce <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(2,368)</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$131 difference are as follows:

Deferred property taxes as of June 30, 2002	\$ 962
Deferred property taxes as of June 30, 2001	<u>(831)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>131</u>

Another element of that reconciliation states that “the net revenue of certain activities of internal service funds is reported with governmental activities.” The details of this \$442 difference are as follows:

Investment earnings	\$ 357
Gain on disposals of capital assets	20
Transfers in	105
Operating expenses	<u>(40)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>442</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$4,039 difference are as follows:

Principal repayments	\$ 6,627
Issuance of general obligation bonds	(2,620)
Bond issuance costs, net of amortization	<u>32</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets governmental activities</i>	\$ <u>4,039</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds except the capital projects fund, which is adopted on a project-by-project basis and normally spans a multi-year period, and the permanent fund, which is not budgeted.

The City Manager is required by charter to present to the BMA a preliminary budget for the upcoming fiscal year, by May 15<sup>th</sup>. The preliminary budget is compiled from revenue and expense projections as well as requests submitted by each department. The BMA must pass the preliminary budget on two readings before it is adopted and becomes the approved spending plan for the City.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the BMA. Expenditures may not exceed appropriations at the fund level. Supplemental appropriations may be authorized by resolution during the year.

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, certain special revenue funds (general purpose school fund, state street aid fund, drug fund, and regional sales tax fund), debt service fund, and proprietary funds. Budgets for the remaining special revenue funds and capital projects funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by project.

The City Manager and the City Recorder have the authority to transfer the unused portion of any item or appropriation within the same department, other than capital outlay and personal services, within the operating funds and to transfer funds from the vehicle repair and maintenance account of one division to the vehicle repair and maintenance account of another division. Further appropriations and expenditures shall be made by ordinances of the BMA as the necessity and advisability shall become apparent.

Encumbrance accounting is employed in the general, general purpose school and state street aid funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED):**

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2002, expenditures exceeded appropriations in the following nonmajor governmental funds:

	<u>Amount</u>
Special revenue general projects	\$52
Community development	\$89
State street aid	\$126
Industrial development project	\$9

These overexpenditures were funded by greater than anticipated revenues in the case of the special revenue general projects, community development and state street aid funds and by available fund balance in the case of the industrial development project fund special revenue fund.

**C. Deficit fund equity**

The special revenue general projects fund and Cattails at Meadowview Golf Course fund had deficit fund balances of \$(18) and \$(322), respectively as of June 30, 2002. Both funds incurred expenses that were not planned. The City plans to transfer funds from other funds to cover the expenditures.

**4. DETAILED NOTES ON ALL FUNDS:**

**A. Deposits and investments**

At year end, the City's carrying amount of deposits was \$54,327 and the bank balance was \$59,178. Of the bank balance, \$401 was covered by federal depository insurance with the remaining balance of \$58,777 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the City's name.

The carrying amount of deposits for the IDBK, a discretely presented component unit, was \$752 and the bank balance was \$752. Of the bank balance, \$100 was covered by federal depository insurance or by collateral held by the entity's agent in the IDBK's name. Of the remaining balance, \$209 was covered by the Securities Investor Protection Corporation, and \$443 was collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the IDBK's name.

The carrying amount of deposits for the ECD, also a discretely presented component unit, was \$842 and the bank balance was \$843. Of the bank balance, \$300 was covered by federal depository insurance or by collateral held by the entity's agent in the ECD's name. Of the remaining balance, \$543 was collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the ECD's name.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**A. Deposits and investments (continued)**

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

At year end, the City's investment balances were as follows:

	<u>Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Corporate Stock	\$ <u>15</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>15</u>
Total	\$ <u>15</u>	<u>-</u>	<u>-</u>	15	15

Investments not subject to categorization:

State of Tennessee LGIP	<u>6,185</u>	<u>6,185</u>
Total Investments	\$ <u>6,200</u>	<u>6,200</u>

At year end, the IDBK's investment balances were as follows:

	<u>Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Government Securities	\$ <u>86</u>	<u>-</u>	<u>-</u>	<u>86</u>	<u>86</u>
Total Investments	\$ <u>86</u>	<u>-</u>	<u>-</u>	<u>86</u>	<u>86</u>

The City does not have a policy for determining which investments will be recorded at amortized cost. No investments are recorded at amortized cost at June 30, 2002.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**B. Receivables**

Receivables as of June 30, 2002 for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>General Purpose School</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste Management</u>	<u>Meadowview Conference Resort and Convention Center</u>	<u>Cattails at Meadowview Golf Course</u>	<u>Nonmajor and Other Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Receivables											
Interest	\$ -	-	-	-	-	-	-	-	-	-	5
Taxes	26,036	-	-	-	-	-	-	-	-	26,036	-
Accounts	473	32	-	1,615	1,775	52	-	35	21	4,003	32
Notes	-	-	-	-	-	-	-	-	-	-	46
Intergovernmental	<u>3,915</u>	<u>11,986</u>	<u>198</u>	<u>494</u>	<u>1,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,838</u>	<u>19,785</u>	<u>10</u>
Gross receivables	30,424	12,018	198	2,109	3,129	52	-	35	1,859	49,824	93
Less: allowances for uncollectibles	<u>(355)</u>	<u>(23)</u>	<u>(-)</u>	<u>(93)</u>	<u>(291)</u>	<u>(9)</u>	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>	<u>(771)</u>	<u>(-)</u>
Net total receivables	\$ <u>30,069</u>	<u>11,995</u>	<u>198</u>	<u>2,016</u>	<u>2,838</u>	<u>43</u>	<u>-</u>	<u>35</u>	<u>1,859</u>	<u>49,053</u>	<u>93</u>

Revenues of the general, general purpose school, water, sewer and solid waste management funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to property taxes	\$ 128
Uncollectibles related to tuition and fees	5
Uncollectibles related to water sales	16
Uncollectibles related to sewer charges	24
Uncollectibles related to solid waste charges	<u>23</u>
Total uncollectibles of the current fiscal year	\$ <u>196</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**B. Receivables (continued)**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 24,575	24,575
Delinquent property taxes receivable (general fund)	962	-
Other taxes receivable (general fund)	316	316
Property taxes receivable (general purpose school fund)	10,432	10,432
Grant drawdowns receivable (general purpose school fund)	2	2
Grant drawdowns prior to meeting all eligibility requirements (public law 93-830 fund)	<u>-</u>	<u>98</u>
Total deferred / unearned revenue for governmental funds	\$ <u>36,287</u>	<u>35,423</u>

Property taxes which are delinquent at year end are earned but not available. The tax year 2002 property taxes are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**C. Capital assets**

Capital asset activity for the year ended June 30, 2002 was as follows:

**Primary government**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 6,152	3,991	-	-	10,143
Construction in Progress	14,606	3,361	-	-	17,967
Total capital assets, not being depreciated	<u>20,758</u>	<u>7,352</u>	<u>-</u>	<u>-</u>	<u>28,110</u>
Capital assets, being depreciated:					
Buildings	83,740	-	-	(37)	83,703
Improvements other than buildings	5,428	3,915	-	(205)	9,138
Equipment	30,689	3,697	(707)	(8,022)	25,657
Software	66	88	-	(10)	144
Infrastructure	253,357	-	-	-	253,357
Total capital assets, being depreciated	<u>373,280</u>	<u>7,700</u>	<u>(707)</u>	<u>(8,274)</u>	<u>371,999</u>
Less accumulated depreciation for:					
Buildings	(18,551)	(3,418)	-	-	(21,969)
Improvements other than buildings	(2,450)	(465)	-	-	(2,915)
Equipment	(12,924)	(2,212)	381	41	(14,714)
Software	(28)	(23)	-	-	(51)
Infrastructure	(64,185)	(4,771)	-	-	(68,956)
Total accumulated depreciation	<u>(98,138)</u>	<u>(10,889)</u>	<u>381</u>	<u>41</u>	<u>(108,605)</u>
Total capital assets, being depreciated, net	<u>275,142</u>	<u>(3,189)</u>	<u>(326)</u>	<u>(8,233)</u>	<u>263,394</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 295,900</u>	<u>4,163</u>	<u>(326)</u>	<u>(8,233)</u>	<u>291,504</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**C. Capital assets (continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated					
<u>Water</u>					
Land	\$ 640	-	-	-	640
Construction in Progress	4,167	4,238	(2,643)	-	5,762
<u>Sewer</u>					
Land	485	31	-	-	516
Construction in Progress	11,553	6,108	(2,804)	-	14,857
<u>Solid waste management</u>					
Land	1,308	-	-	-	1,308
<u>Meadowview Conference Resort         and Convention Center</u>					
Land	1,515	-	-	-	1,515
<u>Cattails at Meadowview Golf Course</u>					
Land	<u>982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>982</u>
Total capital assets, not being depreciated	<u>20,650</u>	<u>10,377</u>	<u>(5,447)</u>	<u>-</u>	<u>25,580</u>
Capital assets, being depreciated					
<u>Water</u>					
Buildings and system	51,119	2,450	(448)	2,735	55,856
Equipment and machinery	1,551	16	(246)	-	1,321
<u>Sewer</u>					
Buildings and system	90,533	2,783	(26)	5,112	98,402
Equipment and machinery	1,161	-	(167)	1	995
<u>Solid waste management</u>					
Buildings and system	144	-	-	-	144
Improvements other than Buildings	1,759	34	-	(3)	1,790
Equipment and machinery	36	-	-	(17)	19
<u>Meadowview Conference Resort         and Convention Center</u>					
Buildings	19,802	-	-	1,986	21,788
Improvements other than Buildings	95	-	-	-	95
Equipment	852	-	-	-	852
<u>Cattails at Meadowview Golf Course</u>					
Buildings	1,158	-	-	-	1,158
Improvements other than Buildings	5,220	45	-	693	5,958
Equipment	<u>365</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>400</u>
Total capital assets, being depreciated	<u>173,795</u>	<u>5,363</u>	<u>(887)</u>	<u>10,507</u>	<u>188,778</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**C. Capital assets (continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Less accumulated depreciation for:					
<u>Water</u>					
Buildings and system	(19,769)	(1,236)	338	(276)	(20,943)
Equipment and machinery	(1,088)	(75)	160	2	(1,001)
<u>Sewer</u>					
Buildings and system	(26,054)	(2,216)	13	(641)	(28,898)
Equipment and machinery	(958)	(57)	128	14	(873)
<u>Solid waste management</u>					
Buildings and system	(40)	(4)	-	-	(44)
Improvements other than Buildings	(343)	(123)	-	4	(462)
Equipment and machinery	(21)	(5)	-	11	(15)
<u>Meadowview Conference Resort and Convention Center</u>					
Buildings	(1,732)	(545)	-	(123)	(2,400)
Improvements other than Buildings	(29)	(9)	-	-	(38)
Equipment	(417)	(122)	-	-	(539)
<u>Cattails at Meadowview Golf Course</u>					
Buildings	(87)	(29)	-	(1)	(117)
Improvements other than Buildings	(515)	(176)	-	(179)	(870)
Equipment	(263)	(81)	-	-	(344)
Total accumulated depreciation	<u>(51,316)</u>	<u>(4,678)</u>	<u>639</u>	<u>(1,189)</u>	<u>(56,544)</u>
Total capital assets, being depreciated, net	<u>122,479</u>	<u>685</u>	<u>(248)</u>	<u>9,318</u>	<u>132,234</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 143,129</u></u>	<u><u>11,062</u></u>	<u><u>(5,695)</u></u>	<u><u>9,318</u></u>	<u><u>157,814</u></u>

Adjustments were primarily to record assets previously disposed of or which had not been previously recorded.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 324
Economic and Physical Development	263
Public safety	618
Public Works	4,852
Culture and recreation	993
Education	<u>3,839</u>
Total depreciation expense – governmental activities	\$ <u>10,889</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**C. Capital assets (continued)**

Business-type activities:	
Water	\$ 1,311
Sewer	2,273
Solid waste management	132
Meadowview Conference Resort and Convention Center	676
Cattails at Meadowview Golf Course	<u>286</u>
Total depreciation expense – business-type activities	\$ <u>4,678</u>

**Construction commitments**

The City has active construction projects as of June 30, 2002. The governmental projects of the City are reflected in the capital projects fund and the City has provided funding for the future commitments in the amount of \$5,566 through bonded debt and local funding. In the proprietary funds, funding for construction projects has been provided and is in segregated deposit and investment accounts totaling \$14,123. Except for projects which are shared with counties or the State of Tennessee, the City could terminate any project at their discretion.

**Discretely presented component units**

Activity for the IDBK for the year ended June 30, 2002, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Signs	\$ 25	6	-	31
Improvements other than Buildings	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
Total capital assets, being depreciated	<u>45</u>	<u>6</u>	<u>-</u>	<u>51</u>
Less accumulated depreciation for:				
Signs	(18)	(2)	-	(20)
Improvements other than Buildings	<u>(18)</u>	<u>(1)</u>	<u>-</u>	<u>(19)</u>
Total accumulated depreciation	<u>(36)</u>	<u>(3)</u>	<u>-</u>	<u>(39)</u>
Total capital assets being depreciated, net	<u>9</u>	<u>3</u>	<u>-</u>	<u>12</u>
IDBK capital assets, net	\$ <u>9</u>	<u>3</u>	<u>-</u>	<u>12</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**C. Capital assets (continued)**

Activity for the ECD for the year ended June 30, 2002, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Equipment	\$ <u>123</u>	<u>45</u>	<u>(21)</u>	<u>147</u>
Total capital assets, being depreciated	<u>123</u>	<u>45</u>	<u>(21)</u>	<u>147</u>
Less accumulated depreciation for:				
Equipment	<u>(47)</u>	<u>(14)</u>	<u>21</u>	<u>(40)</u>
Total accumulated depreciation	<u>(47)</u>	<u>(14)</u>	<u>21</u>	<u>(40)</u>
Total capital assets being depreciated, net	<u>9</u>	<u>4</u>	<u>-</u>	<u>13</u>
ECD capital assets, net	\$ <u>9</u>	<u>4</u>	<u>-</u>	<u>13</u>

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2002, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General (major)	Community development (nonmajor)	\$ 284
	Special revenue general projects (nonmajor)	34
	Cattails at Meadowview Golf Course (major)	2,745
	Urban mass transportation administration (nonmajor)	278
	Allandale (nonmajor)	6
	Regional sales tax (nonmajor)	385
General purpose school (major)	School food and nutrition services (nonmajor)	297
	School federal projects (nonmajor)	79
	School local projects (nonmajor)	<u>109</u>
Total		\$ <u>4,217</u>

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government – General Fund	Component unit - IDBK	\$ 10
Primary government – Sewer Fund	Component unit - IDBK	15
Primary government – Water Fund	Component unit - IDBK	<u>11</u>
Total		\$ <u>36</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**D. Interfund receivables, payables, and transfers (continued)**

Interfund transfers:

Transfer Out:	Transfer in:												Total
	General Purpose School Fund	Urban Mass Transportation Administration Fund	State Street Aid Fund	Local Law Enforcement Fund	Solid Waste Management Fund	Water Fund	Sewer Fund	Meadowview Conference Resort and Convention Center	Fleet Maintenance Fund	Capital Projects Fund	General Fund	Debt Service Fund	
General Fund	\$ 12,792	128	456	-	2,496	-	-	-	-	1,446	-	3,810	21,128
General Purpose School Fund	-	-	-	-	-	-	-	-	-	411	-	5,462	5,873
Capital Projects Fund	-	-	-	-	-	-	-	-	-	-	-	126	126
Regional Sales Tax Revenue Fund	-	-	-	-	-	-	-	2,515	-	-	-	-	2,515
State Street Aid Fund	-	-	-	-	-	-	-	-	-	215	-	-	215
Community Development Fund	-	-	-	-	-	45	107	-	-	-	-	-	152
Special School Project Fund	23	-	-	-	-	-	-	-	-	-	-	-	23
Drug Fund	-	-	-	8	-	-	-	-	-	-	-	-	8
Allandale Fund	-	-	-	-	-	-	-	-	-	-	6	-	6
Sewer Fund	-	-	-	-	-	-	-	-	35	-	-	-	35
Solid Waste Management Fund	-	-	-	-	-	-	-	-	70	-	-	-	70
Industrial Development Project Fund	-	-	-	-	-	2	6	-	-	165	1	-	174
Totals	<u>\$ 12,815</u>	<u>128</u>	<u>456</u>	<u>8</u>	<u>2,496</u>	<u>47</u>	<u>113</u>	<u>2,515</u>	<u>105</u>	<u>2,237</u>	<u>7</u>	<u>9,398</u>	<u>30,325</u>

Note: The above schedule of interfund transfers does not include transfers of capital assets used in the operation of governmental funds. These are assets that have previously been reported as capital assets used in the operation of governmental funds that have been moved into proprietary funds. For the year ended June 30, 2002, the fleet maintenance fund received a transfer in the amount of \$60 that meets this description.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt**

In prior years, the City defeased certain general obligations and other bonds by placing the proceeds of new bonds in an escrow account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2002, the following bonds outstanding are considered to be defeased:

<u>Date of Refunding</u>		<u>Amount</u>	<u>Issues Refunded</u>
11/1/98	General Obligation	\$ 13,745	1991, 1992, 1994
11/1/98	Sewer System Revenue	4,505	1992, 1992, 1994
11/1/98	Water System Revenue	1,950	1991, 1994
11/1/98	Taxable Industrial Park General Obligation	890	1989
04/1/99	General Obligation	4,605	1991, 1992, 1994
04/1/02	Convention Center General Obligation	<u>9,280</u>	1992
Total		\$ <u>34,975</u>	

Governmental Activities:

**Notes Payable:**

General obligation notes currently outstanding and the funds from which they will be paid are as follows:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2002</u>
<u>General Fund:</u>				
Capital Outlay Note	8/1/00	279	5.2827 to 5.3316%	\$ <u>209</u> \$ <u>209</u>

Capital Outlay Note payable issued August 1, 2000 debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	70	11	81
2004	70	7	77
2005	<u>69</u>	<u>4</u>	<u>73</u>
	\$ <u>209</u>	<u>22</u>	<u>231</u>

The City also issued a Note Payable with the State of Tennessee as a Loan for Qualified Zone Academy Projects. This note was issued in November 1999 for \$414 with a maturity date of November 11, 2011. Annual principal payments are \$34 and the interest is variable. As of June 30, 2002, \$345 is outstanding.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable:**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The general obligation bonds issued for business-type activities have been reflected in the appropriate enterprise fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding and to be repaid by governmental activities are as follows:

<u>Debt Service Fund</u>	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2002</u>
1993 Public Improvement Refunding	8/1,2/1	04/1/93	21,688	4.62%-5.125%	\$ 5,906
1993 Public Improvement	4/1,10/1	10/1/93	10,225	4.10%-4.85%	5,185
1997 Public Improvement	1/7,7/1	2/1/97	13,450	4.15%-5.20%	12,450
1998 Taxable Industrial Park	3/1,9/1	11/1/98	1,635	5.16%-5.68%	915
1998 General Obligation Refunding	3/1,9/1	11/1/98	14,700	4.00%-5.00%	14,330
1999 General Obligation Refunding and Improvement Bonds	3/1,9/1	04/1/99	5,975	4.00%-4.50%	5,315
1999 General Obligation Refunding and Improvement Bonds	3/1,9/1	04/1/99	9,560	4.00%	4,665
1999 General Obligation Bonds	3/1,9/1	10/1/99	2,035	4.6%-5.5%	1,835
2000 General Obligation Bonds	3/1, 9/1	11/21/00	1,630	4.45%-5.1%	1,545
2002 General Obligation Bonds	4/1, 10/1	11/06/01	2,620	2.30%-4.65%	<u>2,620</u>
Total General Obligation Bonds					<u>\$54,766</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

General Obligation Public Improvement Refunding Bonds issued April 1, 1993, debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 2,262	241	2,503
2004	1,936	136	2,072
2005	<u>1,708</u>	<u>44</u>	<u>1,752</u>
	\$ <u>5,906</u>	<u>421</u>	<u>6,327</u>

General Obligation Public Improvement Bonds issued October 1, 1993, debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 765	241	1,006
2004	805	207	1,012
2005	840	171	1,011
2006	880	132	1,012
2007	925	91	1,016
2008	<u>970</u>	<u>47</u>	<u>1,017</u>
	\$ <u>5,185</u>	<u>889</u>	<u>6,074</u>

General Obligation Public Improvement Bonds issued February 1, 1997, debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 985	628	1,613
2004	1,035	579	1,614
2005	1,085	527	1,612
2006	1,140	473	1,613
2007	1,195	416	1,611
2008	1,260	356	1,616
2009	1,325	294	1,619
2010	1,395	228	1,623
2011	1,475	157	1,632
2012	<u>1,555</u>	<u>81</u>	<u>1,636</u>
	\$ <u>12,450</u>	<u>3,739</u>	<u>16,189</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

Taxable Industrial Park Bonds issued November 1, 1998, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 290	43	333
2004	300	27	327
2005	<u>325</u>	<u>9</u>	<u>334</u>
	<u>\$ 915</u>	<u>79</u>	<u>994</u>

General Obligation Refunding Bonds issued November 1, 1998, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 165	660	825
2004	545	646	1,191
2005	3,420	558	3,978
2006	5,725	353	6,078
2007	2,810	154	2,964
2008	<u>1,665</u>	<u>42</u>	<u>1,707</u>
	<u>\$ 14,330</u>	<u>2,413</u>	<u>16,743</u>

General Obligation Refunding and Improvement Bonds dated April 1, 1999, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 350	227	577
2004	365	213	578
2005	380	198	578
2006	395	183	578
2007	410	167	577
2008	430	150	580
2009	445	133	578
2010	465	114	579
2011	485	93	578
2012	505	72	577
2013	530	49	579
2014	<u>555</u>	<u>24</u>	<u>579</u>
	<u>\$ 5,315</u>	<u>1,623</u>	<u>6,938</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

General Obligation Refunding and Improvement Bonds dated April 1, 1999, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 2,245	187	2,432
2004	<u>2,420</u>	<u>97</u>	<u>2,517</u>
	<u>\$ 4,665</u>	<u>284</u>	<u>4,949</u>

General Obligation Bonds issued October 1, 1999 debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 100	93	193
2004	110	88	198
2005	115	83	198
2006	120	78	198
2007	125	72	197
2008	130	66	196
2009	135	60	195
2010	145	53	198
2011	150	46	196
2012	160	38	198
2013	170	30	200
2014	175	20	195
2015	<u>200</u>	<u>11</u>	<u>211</u>
	<u>\$ 1,835</u>	<u>738</u>	<u>2,573</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

General Obligation Bonds issued November 21, 2000, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 90	75	165
2004	95	71	166
2005	95	66	161
2006	100	62	162
2007	105	57	162
2008	110	52	162
2009	115	47	162
2010	125	42	167
2011	130	36	166
2012	135	29	164
2013	140	23	163
2014	150	16	166
2015	<u>155</u>	<u>8</u>	<u>163</u>
	\$ <u>1,545</u>	<u>584</u>	<u>2,129</u>

General Obligation Bonds issued November 6, 2001, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 150	102	252
2004	150	98	248
2005	155	94	249
2006	160	88	248
2007	175	82	257
2008	175	75	250
2009	180	68	248
2010	185	61	246
2011	195	53	248
2012	200	46	246
2013	210	38	248
2014	220	29	249
2015	225	20	245
2016	<u>240</u>	<u>10</u>	<u>250</u>
	\$ <u>2,620</u>	<u>864</u>	<u>3,484</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

Total annual debt service requirements for General Obligation Bonds are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 7,402	2,496	9,898
2004	7,761	2,161	9,922
2005	8,123	1,750	9,873
2006	8,520	1,369	9,889
2007	5,745	1,039	6,784
Next Five Years	14,245	2,538	16,783
Next Five Years	<u>2,970</u>	<u>277</u>	<u>3,247</u>
	<u>\$ 54,766</u>	<u>11,630</u>	<u>66,396</u>

**Business Activities:**

Bonds and notes issued for the acquisition of facilities for the enterprise funds and to be paid from enterprise funds are recorded in the applicable enterprise fund. Bonds of utility districts acquired by the City are reported in the appropriate fund. Maturities on July 1 are considered as maturing on the preceding June 30<sup>th</sup>.

**Notes Payable:**

General obligation notes currently outstanding and the funds from which they will be paid are as follows:

	<u>Date</u> <u>Issued</u>	<u>Amount</u> <u>Issued</u>	<u>Interest</u> <u>Rate</u>	<u>Outstanding</u> <u>June 30, 2002</u>
<u>Water Fund:</u>				
State Revolving Loan – DWF#98-009	3/25/98	2,000	3.675%	\$ 1,582
Note Payable – Colonial Heights				
Customers	9/23/85	3,000	-	280
<u>Sewer Fund:</u>				
State Revolving Loan – SRF#96-088	3/28/96	6,600	4.067%	6,287
State Revolving Loan – SRF#98-119	2/28/99	2,419	3.50%	1,899
State Revolving Loan – SRF#99-123	6/28/99	2,781	3.50%	1,331
State Revolving Loan – SRF#00-140	7/1/00	1,220	4.21%	<u>40</u>
Total				<u>\$ 11,419</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Notes Payable (continued):**

Note payable to City of Johnson City, Tennessee for Colonial Heights customers issued September 23, 1985, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 70	-	70
2004	70	-	70
2005	70	-	70
2006	<u>70</u>	<u>-</u>	<u>70</u>
	\$ <u>280</u>	<u>-</u>	<u>280</u>

The City has entered into agreements for revolving credit lines with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to provide 15 year financing for the following projects:

A \$6,600 line to provide for all or a portion of a wastewater facility project including various sewer improvements to correct the inflow/infiltration problems as required by an agreed order entered on May 18, 1995, with the Tennessee Water Quality Control Board.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 340	250	590
2004	354	236	590
2005	369	221	590
2006	384	206	590
2007	400	190	590
2008	417	173	590
2009	434	156	590
2010	452	138	590
2011	471	119	590
2012	491	99	590
2013	511	79	590
2014	532	58	590
2015	554	36	590
2016	<u>578</u>	<u>12</u>	<u>590</u>
	\$ <u>6,287</u>	<u>1,973</u>	<u>8,260</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Notes Payable (continued):**

In addition to the above loan, the City has four revolving credit lines which are still being drawn against for projects which are not yet complete. At current, the City is making interest payments only. Principal payments will begin upon substantial completion of the projects.

A \$2,000 line to provide for the repair and replacement of water lines along Sevier Avenue.

A \$2,419 line to provide for the repair and replacement of sewer lines throughout the Mad Branch sewer shed and along Sevier Avenue.

A \$2,781 line to provide for sewer improvements.

A \$1,220 line to provide for the sanitary sewer system was approved at 4.21%.

Total annual debt service requirements to maturity for enterprise fund long-term debt notes payable are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest<sup>1</sup></u>	<u>Total</u>
2003	\$ 410	422	832
2004	424	408	832
2005	439	394	833
2006	454	378	832
2007	400	362	762
Next Five Years	2,265	857	3,122
Thereafter	<u>7,027</u>	<u>1,482</u>	<u>8,509</u>
	<u>\$ 11,419</u>	<u>4,303</u>	<u>15,722</u>

<sup>1</sup>The interest calculation for the State Revolving Loan is based on the outstanding balance at year end for the last three above. It is unknown at this time when the city will begin principal payments. Therefore, the entire \$3,271 is included in the "thereafter" information.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable:**

General obligation bonds to be repaid from enterprise funds currently outstanding and the funds from which they will be paid are as follows:

	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2002</u>
<u>MeadowView Conference Resort and Convention Center Fund:</u>					
1992 Convention Center	3/1,9/1	9/1/92	19,540	4.90%-5.90%	\$ 1,555
2002 General Obligation Refunding Bond	4/1,10/1	4/25/02	9,585	3.50%-5.00%	<u>9,585</u>
Total MeadowView Conference Resort and Convention Center Fund (before deferred debt refunding costs \$223)					\$ <u>11,140</u>
<u>Cattails at MeadowView Golf Course Fund:</u>					
1995 Golf Course-TMBF	Monthly	5/22/95	4,750	Variable	\$ 3,444
1998 Golf Course-TMBF	Monthly	1998	1,450	Variable	<u>1,450</u>
Total Cattails at MeadowView Golf Course Fund					\$ <u>4,894</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

<u>Water Fund:</u>	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2002</u>
1965 Waterworks	11/1,5/1	5/22/65	275	4.30%-5.00%	\$ 30
1978 Waterworks	1/1,7/1	04/6/78	450	5.00%	270
1990 Water System Improvement Refunding	4/1,10/1	7/1/90	2,690	6.60%-6.85%	245
1991 Water System Improvement	4/1,10/1	10/1/91	3,305	5.40%-6.20%	255
1993 Water System Improvement Refunding	8/1,2/1	4/1/93	8,272	4.40%-5.125%	2,424
1994 Water System Improvement	12/1,6/1	12/1/93	1,710	5.80%-6.20%	660
1997 Water System Improvement	1/1,7/1	2/1/97	1,710	4.00%-5.20%	1,325
1998 Water Refunding	3/1,9/1	11/1/98	2,145	4.00%-4.125%	2,055
1999 Water Refunding	3/1,9/1	4/1/99	2,820	4.00%-4.65%	2,505
1999 Water System Improvement	3/1,9/1	10/1/99	6,120	4.60%-5.50%	5,525
2002 Water System Improvement	4/1,10/1	11/6/01	2,140	2.30%-4.65%	<u>2,140</u>
Total Water Fund (before deferred debt refunding costs of \$88)					<u>\$17,434</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

<u>Sewer Fund:</u>	<u>Interest Payable Dates</u>	<u>Issue Date</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 2002</u>
1990 Sewer System Improvement Refunding	4/1,10/1	7/1/90	5,915	6.60%-6.85%	\$ 535
1991 Sewer System Improvement	4/1,10/1	10/1/91	2,105	5.40%-6.20%	165
1992 Sewer System Improvement	3/1,9/1	9/1/92	4,800	4.90%-5.90%	720
1993 Sewer System Improvement Refunding	8/1,2/1	4/1/93	10,250	4.40%-5.125%	2,835
1994 Sewer System Improvement	12/1,6/1	12/1/93	4,225	5.70%-6.30%	1,165
1997 Sewer System Improvement	1/1,7/1	2/1/97	3,815	4.00%-5.20%	2,970
1998 Sewer Refunding	3/1,9/1	11/1/98	4,880	4.00%-5.00%	4,735
1999 Sewer Refunding	3/1,9/1	4/1/99	3,155	4.00%-4.65%	2,805
1999 Sewer System Improvement	3/1,9/1	10/1/99	10,245	4.60%-5.50%	9,255
2000 Sewer System Improvement	3/1,9/1	11/21/00	635	4.45%-5.10%	600
2001 Sewer System Improvement	4/1,10/1	11/6/01	2,790	2.30%-4.65%	<u>2,790</u>
Total Sewer Fund (before deferred debt refunding costs of \$176)					<u>\$28,575</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

MeadowView Conference Resort and Convention Center Bonds issued September 1, 1992, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ <u>1,555</u>	<u>47</u>	<u>1,602</u>
	\$ <u>1,555</u>	<u>47</u>	<u>1,602</u>

MeadowView Conference Resort and Convention Center Bonds issued April 25, 2002, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 145	351	496
2004	1,750	350	2,100
2005	1,810	287	2,097
2006	1,880	218	2,098
2007	1,955	141	2,096
2008	<u>2,045</u>	<u>51</u>	<u>2,096</u>
	\$ <u>9,585</u>	<u>1,398</u>	<u>10,983</u>

Payments on the Cattails at MeadowView Golf Course TMBF bonds issued in 1995 totaling \$4,750 and in 1998 totaling \$1,450 are made to the State monthly. These bonds mature in 2011 and 2017, respectively.

The interest rate on the Tennessee Municipal Bond Fund Golf Course Bonds is variable monthly based upon the current rate determined by the remarketing agent plus 1.25% not to exceed the maximum amount allowed by law. Due to this, the principal debt service requirement to maturity for both of these bonds is as follows:

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>TMBF Series</u>		<u>Total</u>
	<u>1998</u>	<u>1995</u>	
2003	\$ 65	306	371
2004	68	323	391
2005	72	341	413
2006	76	360	436
2007	80	379	459
2008	85	400	485
2009	89	421	510
2010	94	445	539
2011	99	469	568
2012	105	-	105
2013	110	-	110
2014	117	-	117
2015	123	-	123
2016	130	-	130
2017	<u>137</u>	<u>-</u>	<u>137</u>
	\$ <u>1,450</u>	<u>3,444</u>	<u>4,894</u>

Tri-County Utility District Bonds issued May 1965 debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 15	2	17
2004	<u>15</u>	<u>1</u>	<u>16</u>
	\$ <u>30</u>	<u>3</u>	<u>33</u>

Note: The City assumed the operation and all related assets and liabilities of the Tri-County Utility District on May 1, 1977.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

Fall Branch Utility District Bonds issued April 6, 1978, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 15	13	28
2004	15	12	27
2005	15	12	27
2006	15	11	26
2007	15	10	25
2008	15	9	24
2009	20	9	29
2010	20	8	28
2011	20	7	27
2012	20	5	25
2013	20	4	24
2014	25	3	28
2015	25	2	27
2016	<u>30</u>	<u>1</u>	<u>31</u>
	\$ <u>270</u>	<u>106</u>	<u>376</u>

Note: The City assumed the operation and all related assets and liabilities of the Fall Branch Utility District on April 16, 1990.

Water System Improvement Refunding Bonds issued July 1, 1990, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ <u>245</u>	<u>17</u>	<u>262</u>
	\$ <u>245</u>	<u>17</u>	<u>262</u>

Water System Improvement bonds issued October 1, 1991, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ <u>255</u>	<u>8</u>	<u>263</u>
	\$ <u>255</u>	<u>8</u>	<u>263</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

Water System Improvement Refunding Bonds issued April 1, 1993, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 838	101	939
2004	874	58	932
2005	<u>712</u>	<u>19</u>	<u>731</u>
	<u>\$ 2,424</u>	<u>178</u>	<u>2,602</u>

Water System Improvement Bonds issued December 1, 1993, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 320	30	350
2004	<u>340</u>	<u>10</u>	<u>350</u>
	<u>\$ 660</u>	<u>40</u>	<u>700</u>

Water System Improvement Bonds issued February 1, 1997, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 105	67	172
2004	110	62	172
2005	115	56	171
2006	120	50	170
2007	130	44	174
2008	135	38	173
2009	140	31	171
2010	150	24	174
2011	155	17	172
2012	<u>165</u>	<u>9</u>	<u>174</u>
	<u>\$ 1,325</u>	<u>398</u>	<u>1,723</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

Water Revenue and Tax Refunding Bonds, Series 1998, issued November 1, 1998, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 35	83	118
2004	310	76	386
2005	675	56	731
2006	705	28	733
2007	<u>330</u>	<u>7</u>	<u>337</u>
	\$ <u>2,055</u>	<u>250</u>	<u>2,305</u>

Water Fund portion of General Obligation Refunding and Improvement Bonds, Series 1999, issued April 1, 1999 debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 165	107	272
2004	170	100	270
2005	180	94	274
2006	185	86	271
2007	195	79	274
2008	200	71	271
2009	210	63	273
2010	220	54	274
2011	230	44	274
2012	240	34	274
2013	250	23	273
2014	<u>260</u>	<u>11</u>	<u>271</u>
	\$ <u>2,505</u>	<u>766</u>	<u>3,271</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

1999 Water System Improvement Bonds, Series 1999 issued October 1, 1999, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 315	280	595
2004	330	265	595
2005	345	249	594
2006	360	233	593
2007	375	217	592
2008	395	199	594
2009	415	179	594
2010	435	158	593
2011	460	136	596
2012	485	113	598
2013	510	87	597
2014	535	60	595
2015	<u>565</u>	<u>31</u>	<u>596</u>
	<u>\$ 5,525</u>	<u>2,207</u>	<u>7,732</u>

2002 Water System Improvement Bonds, Series 2001 issued November 6, 2001, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 125	83	208
2004	125	80	205
2005	130	76	206
2006	130	71	201
2007	140	67	207
2008	140	61	201
2009	145	55	200
2010	150	50	200
2011	160	44	204
2012	165	37	202
2013	170	31	201
2014	180	24	204
2015	185	16	201
2016	<u>195</u>	<u>8</u>	<u>203</u>
	<u>\$ 2,140</u>	<u>703</u>	<u>2,843</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

Sewer System Improvement Refunding Bonds issued July 1, 1990, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ <u>535</u>	<u>37</u>	<u>572</u>
	\$ <u>535</u>	<u>37</u>	<u>572</u>

Sewer System Improvement Bonds issued October 1, 1991, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ <u>165</u>	<u>5</u>	<u>170</u>
	\$ <u>165</u>	<u>5</u>	<u>170</u>

Sewer System Improvement Bonds issued September 1, 1992, debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 350	30	380
2004	<u>370</u>	<u>10</u>	<u>380</u>
	\$ <u>720</u>	<u>40</u>	<u>760</u>

Sewer System Improvement Refunding Bonds issued April 1, 1993, debt service requirements to maturity as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 1,055	116	1,171
2004	1,115	62	1,177
2005	<u>665</u>	<u>17</u>	<u>682</u>
	\$ <u>2,835</u>	<u>195</u>	<u>3,030</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

Sewer System Improvement Bonds issued December 1, 1993, debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 565	53	618
2004	<u>600</u>	<u>18</u>	<u>618</u>
	\$ <u>1,165</u>	<u>71</u>	<u>1,236</u>

Sewer System Improvement Bonds issued February 1, 1997, debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 235	149	384
2004	245	138	383
2005	260	126	386
2006	270	113	383
2007	285	99	384
2008	300	85	385
2009	315	70	385
2010	335	55	390
2011	355	38	393
2012	<u>370</u>	<u>19</u>	<u>389</u>
	\$ <u>2,970</u>	<u>892</u>	<u>3,862</u>

Sewer Revenue and Tax Refunding Bonds Series 1998 issued November 1, 1998, debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 60	210	270
2004	235	204	439
2005	1,265	168	1,433
2006	1,325	109	1,434
2007	1,385	51	1,436
2008	<u>465</u>	<u>10</u>	<u>475</u>
	\$ <u>4,735</u>	<u>752</u>	<u>5,487</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

The Sewer portion of the General Obligation Bonds, Series 1999 issued April 1, 1999, debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 185	120	305
2004	195	112	307
2005	200	105	305
2006	210	97	307
2007	215	88	303
2008	225	79	304
2009	235	70	305
2010	245	60	305
2011	255	49	304
2012	265	38	303
2013	280	26	306
2014	<u>295</u>	<u>13</u>	<u>308</u>
	\$ <u>2,805</u>	<u>857</u>	<u>3,662</u>

The Sewer portion of the General Obligation Bonds, Series 1999 issued October 1, 1999, debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 530	469	999
2004	550	444	994
2005	575	418	993
2006	605	391	996
2007	635	363	998
2008	665	332	997
2009	695	300	995
2010	730	265	995
2011	770	228	998
2012	810	188	998
2013	850	146	996
2014	895	100	995
2015	<u>945</u>	<u>52</u>	<u>997</u>
	\$ <u>9,255</u>	<u>3,696</u>	<u>12,951</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

The Sewer portion of the General Obligation Bonds, Series 2000 issued November 21, 2000, debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 35	29	64
2004	35	27	62
2005	40	26	66
2006	40	24	64
2007	40	22	62
2008	45	20	65
2009	45	18	63
2010	45	16	61
2011	50	14	64
2012	50	11	61
2013	55	9	64
2014	60	6	66
2015	<u>60</u>	<u>3</u>	<u>63</u>
	\$ <u>600</u>	<u>225</u>	<u>825</u>

2002 Sewer System Improvement Bonds, Series 2001 issued November 6, 2001, debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 160	109	269
2004	160	105	265
2005	165	100	265
2006	170	94	264
2007	185	87	272
2008	185	80	265
2009	190	72	262
2010	200	65	265
2011	205	57	262
2012	215	49	264
2013	220	40	260
2014	230	31	261
2015	240	22	262
2016	<u>265</u>	<u>12</u>	<u>277</u>
	\$ <u>2,790</u>	<u>923</u>	<u>3,713</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Bonds Payable (continued):**

Total annual debt service requirements for enterprise fund revenue bonds, excluding the interest requirements on the TML bonds totaling \$4,894 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2003	\$ 8,379	2,470	10,849
2004	7,935	2,123	10,058
2005	7,565	1,816	9,381
2006	6,451	1,532	7,983
2007	6,344	1,282	7,626
Next Five Years	17,407	3,829	21,236
Next Five Years	<u>7,962</u>	<u>789</u>	<u>8,751</u>
	<u>\$ 62,043</u>	<u>13,841</u>	<u>75,884</u>

The total on the balance sheet has been reduced by deferred debt refunding costs of \$487.

**Advance and Current Refundings**

The City issued \$9,440 of Series 2002 General Obligation Refunding Bonds to provide resources that were placed in an irrevocable trust for the purpose of generating resources for the future debt service payments of \$9,280 on the City's outstanding Series 1992 Convention Center Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets of the Meadowview Conference Resort and Convention Center fund. The reacquisition price exceeded the net carrying amount of the old debt by \$414. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce the total debt service payments over the next six years by \$267 and resulted in an economic gain of \$239.

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2002, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental activities:</b>					
General Obligation Debt	\$ 58,416	2,620	6,270	54,766	7,402
Capital Outlay Note	254	-	254	-	-
Capital Outlay Note	279	-	70	209	70
Notes Payable-State	<u>379</u>	<u>-</u>	<u>34</u>	<u>345</u>	<u>34</u>
Totals	<u>\$ 59,328</u>	<u>2,620</u>	<u>6,628</u>	<u>55,320</u>	<u>7,506</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**4. DETAILED NOTES ON ALL FUNDS (CONTINUED):**

**E. Long-term debt (continued)**

**Business-type activities:**

General Obligation Debt	\$ 64,347	14,515	16,819	62,043	8,379
Less: deferred amounts for refunding	<u>(377)</u>	<u>(234)</u>	<u>(124)</u>	<u>(487)</u>	<u>-</u>
Total Bonds Payable	63,970	14,281	16,695	61,556	8,379
State Revolving Notes	8,257	2,911	29	11,139	340
Notes Payable	18	-	18	-	-
Consolidated Utility Payable	<u>350</u>	<u>-</u>	<u>70</u>	<u>280</u>	<u>70</u>
Totals	\$ <u>72,595</u>	<u>17,192</u>	<u>16,812</u>	<u>72,975</u>	<u>8,789</u>

**F. Closure and postclosure costs**

The City operates a demolition landfill with a remaining life of approximately 70 years. Upon closure, federal and state laws require the landfill to be monitored for two years at the City's expense. Based upon information received from the State of Tennessee, the expected postclosure costs are immaterial to the solid waste management fund and therefore have not been recorded. The demolition landfill does not fall under the same monitoring guidelines as a sanitation landfill.

**5. OTHER INFORMATION:**

**A. Risk management**

The City carries insurance coverage through the Tennessee Municipal League (TML) Risk Management Pool for general liability, automobile, and errors and omissions coverage. Although TML is a risk management pool and the policy contains an assessment clause, no assessment has been levied during the time the City has participated in this program. The City's workers' compensation coverage is self-funded and administered by Tri-State Claims Service. The City carries a specific excess workers' compensation reinsurance agreement through Midwest Employers Casualty Company. The City carries additional coverage for public officials and other employees through U.S. Fidelity and Guaranty Company and property insurance through Cincinnati Insurance Company, Allianz, and Commercial Union. There has been no significant reduction in insurance coverage from the prior year, and the City has not had any settlements in the last three years, which were not covered by insurance. For the period July 1, 2001 to July 1, 2002 policy period, the City received a rebate from TML of \$96.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**5. OTHER INFORMATION (CONTINUED):**

**A. Risk management (continued)**

In addition to the above insurance, the City provides medical insurance to current employees and post-employment health care benefits through the State of Tennessee. The State funds this health insurance program and charges member municipalities and counties a specified premium amount per employee. Participants pay premiums as determined by the City based on the State's specified premium amount. The State carries stop-loss insurance based on all member municipalities and counties as a whole.

A reconciliation of workers' compensation claims for the past two years are as follows:

	<u>Year Ended</u> <u>June 30, 2002</u>	<u>Year Ended</u> <u>June 30, 2001</u>
Claims Accrued, Beginning	\$ 48	68
Claims Incurred	488	557
Claims Paid	<u>(458)</u>	<u>(577)</u>
Claims Accrued, Ending	\$ <u>78</u>	<u>48</u>

The City's estimate of claims accrued at year-end is based on actual claims paid during July, multiplied by a factor of three, which is used as the estimate for August and September.

**B. Prior period adjustments**

General fund:

Accrued payroll	\$ 773
Operating transfer	(110)
Tax revenue	(1,626)
Compensation time	198

General purpose school fund:

Accrued vacation time	343
Tax revenue	(921)

State street aid fund:

Tax revenue	1
-------------	---

Water fund:

Accrued payroll	93
Capital asset transfer	(65)
Contributed water lines	(2,522)

Sewer fund:

Accrued payroll	67
Capital asset transfer	(154)
Contributed sewer lines	(4,307)

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**5. OTHER INFORMATION (CONTINUED):**

**B. Prior period adjustments (continued)**

<u>Solid waste management fund:</u>	
Accrued payroll	49
<u>Meadowview Conference Resort and Convention Center fund:</u>	
Depreciation expense	124
<u>Fleet operations and maintenance fund:</u>	
Accrued payroll	31
<u>Insurance reserve fund:</u>	
Accrued payroll	(4)
<u>IDBK:</u>	
Revenue	31

A prior period adjustment was made to correct for a payroll period that occurred during the prior year and was not appropriately recorded. The portion of this payroll expense attributable to general fund operations was \$773.

A prior period adjustment in the amount of \$(110) was made to reduce the prior year transfer from the general fund to the state street aid fund due to GASB revenue recognition requirements.

A prior period adjustment was made to the general fund to correct for revenue that was measurable and available under guidance provided by GASB but was not recorded. The total adjustment of \$(1,626) is comprised of tax revenues including cable TV franchise, Hall income, beer and liquor, business, motel and various other miscellaneous taxes.

The general fund was adjusted in the current year in the amount of \$198 for comp time that had been earned but was unused prior to June 30, 2001 that had not previously been recorded by the City.

The general purpose school fund was adjusted in the current year in the amount of \$343 for vacation time that had been earned but was unused by City School system employees prior to June 30, 2001. An accrual related to this expense had not previously been recorded in the general purpose school fund.

A prior period adjustment was made to the general purpose school fund to correct for revenue that was measurable and available under guidance provided by GASB but was not recorded. The total adjustment of \$(921) includes property tax revenues from Sullivan and Hawkins counties.

A prior period adjustment was made to the state street aid fund to correct for revenue that was measurable and available under guidance provided by GASB but was not recorded. The total adjustment of \$1 was related to gasoline taxes.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**5. OTHER INFORMATION (CONTINUED):**

**B. Prior period adjustments (continued)**

A prior period adjustment was made to correct for a payroll period that occurred during the prior year and was not appropriately recorded. The portion of this payroll expense attributable to the water fund was \$93.

The water fund was adjusted in the current year in the amount of \$(65) for capital asset depreciation expense transferred from the community development fund. Due to the capital assets being constructed through a governmental fund, depreciation expense was not charged. Upon transfer to a business-type activity, this calculation and entry was necessary.

A prior period adjustment in the amount of \$(2,522) was made to the water fund to record water lines contributed to the City by contractors from fiscal years 1994 through 2001.

A prior period adjustment was made to correct for a payroll period that occurred during the prior year and was not appropriately recorded. The portion of this payroll expense attributable to the sewer fund was \$67.

The sewer fund was adjusted in the current year in the amount of \$(154) for capital asset depreciation expense transferred from the community development fund. Due to the assets being constructed through a governmental fund, depreciation expense was not charged. Upon transfer to a business-type activity this calculation and entry was necessary.

A prior period adjustment in the amount of \$(4,307) was made to the sewer fund to record sewer lines contributed to the City by contractors from fiscal year 1994 through 2001.

A prior period adjustment was made to correct for a payroll period that occurred during the prior year and was not appropriately recorded. The portion of this payroll expense attributable to the solid waste management fund was \$49.

The Meadowview Conference Resort and Convention Center fund was adjusted in the current year in the amount of \$124 for the portion of prior years' depreciation expense that would have been expensed through June 30, 2001 for items that were reclassified in the current fiscal year to capital assets.

A prior period adjustment was made to correct for a payroll period that occurred during the prior year and was not appropriately recorded. The portion of this payroll expense attributable to the fleet maintenance and operations fund was \$31.

A prior period adjustment was made to correct for a payroll period that occurred during the prior year and was not appropriately recorded. The portion of this payroll expense attributable to the insurance reserve fund was \$(4).

The IDBK was adjusted in the current year in the amount of \$31 for prior year revenue from a note receivable that was incorrectly recorded.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**5. OTHER INFORMATION (CONTINUED):**

**C. Subsequent Events**

In September 2002, the City sold \$12,500 of General Obligation Refunding Bonds, Series 2002A, for the purpose of payment and redemption of General Obligation Bonds, Series 1993, dated October 1, 1993 on April 1, 2003 and to pay interest until the redemption date and to redeem the General Obligation Bonds, Series 1997, dated February 1, 1997 maturing January 1, 2008 through January 1, 2012 on July 1, 2007.

In December 2002, the City sold \$8,000 of Water and Sewer System Revenue and Tax Bonds, Series 2002, for the purpose of financing the costs of public works projects, consisting of the construction, erection, repair, improvement, and extension of the water and sewer systems of the City, the acquisition of all other property real and personal, connected with such work, and to pay legal, fiscal, administrative, and engineering costs, to prepay \$1,200 General Obligation Capital Outlay Note, Series 2002, dated August 20, 2002, and \$565 General Obligation Capital Outlay Note, Series 2002A, dated October 23, 2002 and to pay costs incident to the issuance and sale of the bonds.

**D. Contingencies**

**Primary government**

The City has recorded an arbitrage rebate liability in the water fund, sewer fund and general fund. The bonds, through 1994, have been independently reviewed and it has been determined that no arbitrage rebate liability exists for those years. At June 30, 2002 the water fund and sewer fund had arbitrage rebate liabilities recorded of \$163 and \$298, respectively. These arbitrage rebate liabilities are not directly related to any bond issue however, are recorded in anticipation of future liabilities. At June 30, 2002 the general fund has an arbitrage rebate liability of \$191 recorded. This is an estimation of the amount that will be due for the 1997, March 1999 and October 2000 issues.

The City attorney advises that there are no known cases pending against the City, which would not be covered by insurance. The City has entered into several construction contracts in the various funds, which were not completed at year-end. To account for these liabilities, the City reserves a portion of fund balance in the appropriate governmental fund. In the proprietary funds, the City internally designates a portion of retained earnings.

The City received an "Agreed Order & Assessment" from the State of Tennessee dated May 18, 1995, concerning the inflow and infiltration systems of the City's sewer system. The City must be in full compliance by 2011. The estimated total cost of the project is \$25 million. Currently, the City has a strict schedule for the project to be completed in phases. Each phase has a deadline that the City must meet to avoid a \$20 fine. Thus far, all deadlines have been met. The City is funding the project with a State Revolving Loan, which is recorded in the sewer fund.

The City also has a contingent liability regarding a note that was entered into by and between a financial institution and the Phipps Bend Joint Venture, with the IDBK and the Industrial Development Board of Hawkins County as guarantors of the note.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**5. OTHER INFORMATION (CONTINUED):**

**D. Contingencies (continued)**

The note is secured by deed of trust land located in the Phipps Bend Industrial Park and all fixtures now or hereafter existing upon the property. The total liability to Phipps Bend Joint Venture at June 30, 2002 is \$450 plus accrued interest, at prime less 2.60%, of less than \$3, which is due July 1, 2002. The total contingent liability to the City is thus no more than \$453. All required payments have been timely made by the Phipps Bend Joint Venture.

**Discretely presented component units**

The IDBK is contingently liable to the City for \$3,417. The liability is contingent upon sales of land in the Northeast Tennessee Business Park as stated in Resolutions No. 91-111 and 90-86. There is no stated maturity date and the City has no collateral in the land.

**E. Post-employment health care benefits**

The BMA has provided for post-employment health care benefits. All employees (including schools) who retire before the age of 65 receive the same health care benefits, at the same cost as current active employees. Currently, the City pays 70% of the lowest premium and the retiree is responsible for the remaining 30%. For employees that retire after attaining the age of 65, the City purchases a Medicare supplement at no cost to the retiree. All terminated employees, other than retirees, are eligible to continue coverage at their cost under COBRA regulations, which is administered through the State of Tennessee health plan. As of June 30, 2002, there were approximately 420 retirees. For the year ended June 30, 2002, approximately \$541 was paid for post-retirement benefits by the City. The City funds the plan on a pay-as-you-go basis.

**F. Pension plan**

**Plan description – PSPP**

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**5. OTHER INFORMATION (CONTINUED):**

**F. Pension plan (continued)**

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

**Funding policy – PSPP**

The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.00% of annual covered payroll.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2002 was 8.64% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

**Annual pension cost**

For the year ending June 30, 2002, the City's annual pension cost of \$2,424 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 1999 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected salary increases of 5.50% annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 4.50% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.00 % annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 1999 was 16 years.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2002	\$2,424	100.00%	\$ -
June 30, 2001	2,332	100.00%	-
June 30, 2000	2,155	100.00%	-

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**5. OTHER INFORMATION (CONTINUED):**

**F. Pension plan (continued)**

**Required supplementary information**

Schedule of Funding Progress for Kingsport

	(a)	(b)	(b) – (a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 01, 2001	\$ 91,035	101,307	10,272	89.86%	26,519	38.73%
July 01, 1999	80,976	86,815	5,839	93.27%	25,256	23.12%
June 30, 1997	69,883	69,883	-	100.00%	23,145	0.0%

**Changes in actuarial assumptions**

An actuarial valuation was performed as of July 1, 2001, which established contribution rates effective July 1, 2002. As a result of the June 30, 2000 experience study, changes were made to two of the significant actuarial assumptions as follows: 1) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and 2) projected 3.50% annual increase in the Social Security wage base.

**Plan description – SETHEEPP**

The Kingsport City Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHPEPP), a cost-sharing multiple employer defined benefit pension plan administered by the TCRS. TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the TCA. State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHPEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**5. OTHER INFORMATION (CONTINUED):**

**F. Pension plan (continued)**

**Funding policy – SETHEEPP**

Most teachers are required by state statute to contribute 5.00% of salary to the plan. The employer contribution rate for City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2002 was 3.72% of annual covered payroll. The employer contribution requirement for City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2002, 2001, and 2000 were, \$862, \$814, \$1,147, respectively, equal to the required contributions for each year.

**G. Joint Ventures:**

**Tri-Cities Airport**

Tri-Cities Airport (the Airport) is jointly governed by representatives of Johnson City; Kingsport; Bristol, Tennessee; Bristol, Virginia and Washington and Sullivan Counties, Tennessee. The City initially contributed 20 percent of the start-up costs of the Airport in 1934 and has not contributed further since 1967. The City is represented by two of the Airport's twelve commissioners. The Airport prepares its own separate financial statements. The participating governments do not record any balances for the Airport. If the Airport ceased operations, disposition of its net assets would be controlled by the Federal Aviation Administration. The City would not be guaranteed a return of its initial investments or subsequent retained earnings.

Complete financial statements for the individual joint venture may be obtained at the administrative offices of:

Tri-Cities Airport Commission  
P.O. Box 1055  
Blountville, TN 37617

Audited information as of June 30, 2002, is presented below:

	<u>Tri-Cities Airport Commission</u>
Operating Revenues	\$ 4,704
Operating Expenses	(4,294)
Depreciation	(1,815)
Amortization	(6)
Other Income	313
Capital Contributions	<u>6,188</u>
Change in Net Assets	5,090
Net Assets, July 1	<u>30,809</u>
Net Assets, June 30	<u>\$ 35,899</u>

CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002  
(amounts expressed in thousands)

**5. OTHER INFORMATION (CONTINUED):**

**G. Joint Ventures (continued)**

Total Assets	\$ 44,194
Total Liabilities	<u>(8,295)</u>
Total Net Assets	\$ <u>35,899</u>

**Phipps Bend Joint Venture**

The IDBK entered into a joint venture with the Hawkins County Industrial Development Board (HCIDB) to purchase and develop land known as Phipps Bend for industrial purposes.

According to the Joint Venture Agreement, HCIDB shall have an 80% interest and IDBK shall have a 20% interest in the profit and losses of the Joint Venture. However, each Venturer shall have an equal 50% right to control, manage, operate and otherwise deal with the Joint Venture in all matters and respects. A separate capital account is maintained for each Venturer. No Venturer shall withdraw any part of its original or additional capital account without the express written agreement of both parties respectively. IDBK's investment in the Phipps Bend Joint Venture is valued as follows:

Note Receivable from Phipps Bend Venture	\$ 547
20% interest in capital of Phipps Bend Joint Venture	<u>200</u>
Total Investment	\$ <u>747</u>

**H. Economic dependency**

A material portion of the City's property tax revenue is derived from one taxpayer, the loss of which would have a material effect on the City. During the tax years ended December 31, 2001 and 2000, the taxes assessed on the above mentioned taxpayer accounted for approximately 27% and 28%, respectively, of total property taxes assessed.

CITY OF KINGSPORT, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2002

	Special Revenue Funds							Capital Project	Permanent Fund	Total Nonmajor Governmental Funds
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Highway Transportation Planning Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds	Debt Service Fund	Industrial Development Fund	Allandale Trust Fund
<b>ASSETS:</b>										
Cash in Bank	\$ -	-	29,673	-	-	1,106,826	1,136,499	-	-	-
Equity in Pooled Cash and Investments	-	-	268,284	-	424	-	268,708	15,130	12,612	-
Long-Term Certificates of Deposit	-	-	-	-	-	198,000	198,000	-	-	-
Investments	-	-	118,911	-	2,586,724	53,581	2,759,216	-	-	159,833
Accounts Receivable, net	-	8,328	-	4,625	-	338	13,291	-	-	-
Due from Other Governments	402,766	72,019	-	565,857	473,447	324,213	1,838,302	-	-	-
Inventories	-	-	-	-	-	84,895	84,895	-	-	-
<b>Total Assets</b>	<b>402,766</b>	<b>80,347</b>	<b>416,868</b>	<b>570,482</b>	<b>3,060,595</b>	<b>1,767,853</b>	<b>6,298,911</b>	<b>15,130</b>	<b>12,612</b>	<b>159,833</b>
<b>LIABILITIES AND FUND BALANCES:</b>										
<b>Liabilities:</b>										
Accounts Payable	107,528	64,648	-	124,609	525	30,172	327,482	-	-	-
Equity in Pooled Cash and Investments	-	-	-	49,974	-	-	49,974	-	-	-
Due to Other Funds	283,919	33,724	-	278,545	384,608	484,542	1,465,338	-	-	5,863
Deferred Revenue	-	-	-	-	-	97,805	97,805	-	-	-
<b>Total Liabilities</b>	<b>391,447</b>	<b>98,372</b>	<b>-</b>	<b>453,128</b>	<b>385,133</b>	<b>612,519</b>	<b>1,940,599</b>	<b>-</b>	<b>-</b>	<b>5,863</b>
<b>Fund Balances:</b>										
Reserved for Encumbrances	-	-	-	39,481	-	-	39,481	-	-	-
Reserved for Inventories	-	-	-	-	-	84,895	84,895	-	-	-
Reserved for Perpetual Care	-	-	-	-	-	-	-	-	-	153,970
Reserved for Projects	-	-	26,962	-	-	8,504	35,466	-	-	-
Unreserved, Undesignated	11,319	(18,025)	389,906	77,873	2,675,462	1,061,935	4,198,470	15,130	12,612	-
<b>Total Fund Balances</b>	<b>11,319</b>	<b>(18,025)</b>	<b>416,868</b>	<b>117,354</b>	<b>2,675,462</b>	<b>1,155,334</b>	<b>4,358,312</b>	<b>15,130</b>	<b>12,612</b>	<b>153,970</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 402,766</b>	<b>80,347</b>	<b>416,868</b>	<b>570,482</b>	<b>3,060,595</b>	<b>1,767,853</b>	<b>6,298,911</b>	<b>15,130</b>	<b>12,612</b>	<b>159,833</b>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2002

	Special Revenue Funds							Capital Project	Permanent Fund	Total Nonmajor Governmental Funds
	Community Development Fund	Special Revenue General Projects Fund	Public Safety Funds	Highway Transportation Planning Funds	Culture & Recreation Funds	Education Funds	Total Special Revenue Funds	Debt Service Fund	Industrial Development Fund	Allandale Trust Fund
<u>REVENUES:</u>										
Federal Government	\$ 651,020	184,708	74,972	1,485,797	-	3,614,382	6,010,879	-	-	-
State Government	44,436	5,000	-	358,727	2,818,786	561,299	3,788,248	-	-	-
Charges for Services	-	-	-	50,902	8,253	1,378,356	1,437,511	-	-	-
Fines and Forfeitures	-	-	140,439	-	-	-	140,439	-	-	-
Investment Earnings	-	-	2,312	906	43,129	30,512	76,859	4,675	-	5,863
Contributions and Donations	-	-	1,000	2,000	24,245	-	27,245	-	-	-
Total Revenues	695,456	189,708	218,723	1,898,332	2,894,413	5,584,549	11,481,181	4,675	-	5,863
<u>EXPENDITURES:</u>										
General and Administrative	-	162,806	3,578	-	-	-	166,384	47,665	-	-
School Food Service	-	-	-	-	-	2,289,933	2,289,933	-	-	-
School Federal Projects	-	-	-	-	-	2,396,521	2,396,521	-	-	-
Economic and Physical Development	542,975	-	-	-	-	-	542,975	-	-	-
Public Safety	-	-	55,096	-	-	-	55,096	-	-	-
Highway Transportation Planning	-	-	-	2,033,799	-	-	2,033,799	-	-	-
Culture and Recreation	-	-	-	-	20,935	-	20,935	-	-	-
Education	-	-	-	-	-	663,080	663,080	-	-	-
Debt Service	-	-	-	-	-	-	-	9,340,762	-	-
Capital Outlay	-	4,970	32,252	214,287	-	320,861	572,370	-	-	-
Total Expenditures	542,975	167,776	90,926	2,248,086	20,935	5,670,395	8,741,093	9,388,427	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	152,481	21,932	127,797	(349,754)	2,873,478	(85,846)	2,740,088	(9,383,752)	-	5,863
<u>OTHER FINANCING SOURCES (USES) -</u>										
Operating Transfers	(152,481)	-	-	369,150	(2,514,838)	(23,322)	(2,321,491)	9,398,824	(173,478)	(5,863)
Net Change in Fund Balances	-	21,932	127,797	19,396	358,640	(109,168)	418,597	15,072	(173,478)	-
Fund Balances, July 1, 2001	11,319	(39,957)	289,071	98,715	2,316,822	1,264,502	3,940,472	58	186,090	153,970
Prior Period Adjustments	-	-	-	(757)	-	-	(757)	-	-	-
Fund Balances, June 30, 2002	\$ 11,319	(18,025)	416,868	117,354	2,675,462	1,155,334	4,358,312	15,130	12,612	153,970

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - PUBLIC SAFETY  
June 30, 2002

	Criminal Forfeiture Fund	Drug Fund	Local Law Enforcement Fund	Total Public Safety Funds
<u>ASSETS:</u>				
Cash in Bank	\$ 23,366	6,307	-	29,673
Equity in Pooled Cash and Investments	3,596	252,104	12,584	268,284
Investments	-	-	118,911	118,911
Total Assets	<u>26,962</u>	<u>258,411</u>	<u>131,495</u>	<u>416,868</u>
<u>FUND BALANCES:</u>				
Reserved for Projects	26,962	-	-	26,962
Unreserved, Undesignated	-	258,411	131,495	389,906
Total Fund Balances	<u>\$ 26,962</u>	<u>258,411</u>	<u>131,495</u>	<u>416,868</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - PUBLIC SAFETY  
For the Year Ended June 30, 2002

	Criminal Forfeiture Fund	Drug Fund	Local Law Enforcement Fund	Total Public Safety Funds
<u>REVENUES:</u>				
Federal Government	\$ 1,596	-	73,376	74,972
Fines and Forfeitures	-	140,439	-	140,439
Investment Earnings	293	-	2,019	2,312
Contributions and Donations	-	1,000	-	1,000
Total Revenues	1,889	141,439	75,395	218,723
<u>EXPENDITURES:</u>				
General and Administrative	-	3,578	-	3,578
Public Safety	-	40,809	14,287	55,096
Capital Outlay	-	-	32,252	32,252
Total Expenditures	-	44,387	46,539	90,926
Excess of Revenues Over Expenditures	1,889	97,052	28,856	127,797
<u>OTHER FINANCING SOURCES (USES) -</u>				
Operating Transfers	-	(8,153)	8,153	-
Net Change in Fund Balances	1,889	88,899	37,009	127,797
Fund Balance, July 1, 2001	25,073	169,512	94,486	289,071
Fund Balance, June 30, 2002	\$ 26,962	258,411	131,495	416,868

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - HIGHWAY TRANSPORTATION PLANNING  
June 30, 2002

	Urban Mass Transportation Administration Fund	State Street Aid Fund	Total Highway Transportation Planning Funds
<u>ASSETS:</u>			
Accounts Receivable, net	\$ 4,625	-	4,625
Due from Other Governments	347,288	218,569	565,857
Total Assets	351,913	218,569	570,482
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>Liabilities:</u>			
Accounts Payable	1,922	122,687	124,609
Equity in Pooled Cash and Investments	-	49,974	49,974
Due to Other Funds	278,545	-	278,545
Total Liabilities	280,467	172,661	453,128
<u>Fund Balances:</u>			
Reserved for Encumbrances	-	39,481	39,481
Unreserved, Undesignated	71,446	6,427	77,873
Total Fund Balances	71,446	45,908	117,354
Total Liabilities and Fund Balances	\$ 351,913	218,569	570,482

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - HIGHWAY TRANSPORTATION PLANNING  
For the Year Ended June 30, 2002

	Urban Mass Transportation Administration Fund	State Street Aid Fund	Total Highway Transportation Planning Funds
<u>REVENUES:</u>			
Federal Government	\$ 230,944	1,254,853	1,485,797
State Government	358,727	-	358,727
Charges for Services	50,902	-	50,902
Investment Earnings	-	906	906
Contributions and Donations	-	2,000	2,000
	<hr/>	<hr/>	<hr/>
Total Revenues	640,573	1,257,759	1,898,332
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES:</u>			
Highway Transportation Planning	563,042	1,470,757	2,033,799
Capital Outlay	186,639	27,648	214,287
	<hr/>	<hr/>	<hr/>
Total Expenditures	749,681	1,498,405	2,248,086
	<hr/>	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(109,108)	(240,646)	(349,754)
	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES -</u>			
Operating Transfers	128,504	240,646	369,150
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	19,396	-	19,396
	<hr/>	<hr/>	<hr/>
Fund Balance, July 1, 2001	52,050	46,665	98,715
Prior Period Adjustment -			
Net Effect of Accrued Fuel Tax Revenue	-	(757)	(757)
	<hr/>	<hr/>	<hr/>
Fund Balance, June 30, 2002	\$ 71,446	45,908	117,354
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - CULTURE AND RECREATION  
June 30, 2002

	Regional Sales Tax Revenue Fund	Public Library Commission Fund	Bays Mountain Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
<u>ASSETS:</u>					
Equity in Pooled Cash and Investments	\$ -	105	-	319	424
Investments	2,499,062	19,373	65,164	3,125	2,586,724
Due from Other Governments	473,447	-	-	-	473,447
Total Assets	<u>2,972,509</u>	<u>19,478</u>	<u>65,164</u>	<u>3,444</u>	<u>3,060,595</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>Liabilities:</u>					
Accounts Payable	-	-	525	-	525
Due to Other Funds	384,549	-	59	-	384,608
Total Liabilities	<u>384,549</u>	<u>-</u>	<u>584</u>	<u>-</u>	<u>385,133</u>
<u>Fund Balances -</u>					
Unreserved, Undesignated	<u>2,587,960</u>	<u>19,478</u>	<u>64,580</u>	<u>3,444</u>	<u>2,675,462</u>
Total Fund Balances	<u>2,587,960</u>	<u>19,478</u>	<u>64,580</u>	<u>3,444</u>	<u>2,675,462</u>
Total Liabilities and Fund Balances	<u>\$ 2,972,509</u>	<u>19,478</u>	<u>65,164</u>	<u>3,444</u>	<u>3,060,595</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - CULTURE AND RECREATION  
For the Year Ended June 30, 2002

	Regional Sales Tax Revenue Fund	Public Library Commission Fund	Bays Mountain Fund	Senior Citizens Advisory Board Fund	Total Culture & Recreation Funds
<u>REVENUES:</u>					
State Government	\$ 2,818,786	-	-	-	2,818,786
Charges for Services	-	-	-	8,253	8,253
Investment Earnings	44,378	(2,939)	1,684	6	43,129
Contributions and Donations	-	-	22,411	1,834	24,245
Total Revenues	<u>2,863,164</u>	<u>(2,939)</u>	<u>24,095</u>	<u>10,093</u>	<u>2,894,413</u>
<u>EXPENDITURES -</u>					
Culture and Recreation	-	1,066	12,675	7,194	20,935
Total Expenditures	<u>-</u>	<u>1,066</u>	<u>12,675</u>	<u>7,194</u>	<u>20,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,863,164	(4,005)	11,420	2,899	2,873,478
<u>OTHER FINANCING USES -</u>					
Operating Transfers	(2,514,838)	-	-	-	(2,514,838)
Net Change in Fund Balances	348,326	(4,005)	11,420	2,899	358,640
Fund Balance, July 1, 2001	<u>2,239,634</u>	<u>23,483</u>	<u>53,160</u>	<u>545</u>	<u>2,316,822</u>
Fund Balance, June 30, 2002	<u>\$ 2,587,960</u>	<u>19,478</u>	<u>64,580</u>	<u>3,444</u>	<u>2,675,462</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - EDUCATION  
June 30, 2002

	School Food & Nutrition Services	Special School Projects Fund	Public Law 93-380 Fund	Palmer Center Fund	Total Education Funds
<u>ASSETS:</u>					
Cash in Bank	\$ 1,106,826	-	-	-	1,106,826
Long-Term Certificates of Deposit	198,000	-	-	-	198,000
Investments	-	-	-	53,581	53,581
Accounts Receivable, net	338	-	-	-	338
Due from Other Governments	-	121,633	202,580	-	324,213
Inventories	84,895	-	-	-	84,895
Total Assets	<u>1,390,059</u>	<u>121,633</u>	<u>202,580</u>	<u>53,581</u>	<u>1,767,853</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>Liabilities:</u>					
Accounts Payable	-	4,152	26,020	-	30,172
Due to Other Funds	296,810	108,977	78,755	-	484,542
Deferred Revenue	-	-	97,805	-	97,805
Total Liabilities	<u>296,810</u>	<u>113,129</u>	<u>202,580</u>	<u>-</u>	<u>612,519</u>
<u>Fund Balances:</u>					
Reserved for Inventories	84,895	-	-	-	84,895
Reserved for Projects	-	8,504	-	-	8,504
Unreserved, Undesignated	1,008,354	-	-	53,581	1,061,935
Total Fund Balances	<u>1,093,249</u>	<u>8,504</u>	<u>-</u>	<u>53,581</u>	<u>1,155,334</u>
Total Liabilities and Fund Balances	<u>\$ 1,390,059</u>	<u>121,633</u>	<u>202,580</u>	<u>53,581</u>	<u>1,767,853</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS - EDUCATION  
For the Year Ended June 30, 2002

	School Food & Nutrition Services	Special School Projects Fund	Public Law 93-380 Fund	Palmer Center Fund	Total Education Funds
<u>REVENUES:</u>					
Federal Government	\$ 930,247	181,328	2,502,807	-	3,614,382
State Government	29,781	531,518	-	-	561,299
Charges for Services	1,352,706	25,650	-	-	1,378,356
Investment Earnings	29,257	-	-	1,255	30,512
Total Revenues	2,341,991	738,496	2,502,807	1,255	5,584,549
<u>EXPENDITURES:</u>					
School Food Service	2,289,933	-	-	-	2,289,933
School Federal Projects	-	-	2,396,521	-	2,396,521
Education	-	663,080	-	-	663,080
Capital Outlay	75,667	55,492	189,702	-	320,861
Total Expenditures	2,365,600	718,572	2,586,223	-	5,670,395
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,609)	19,924	(83,416)	1,255	(85,846)
<u>OTHER FINANCING USES -</u>					
Operating Transfers	-	(23,322)	-	-	(23,322)
Net Change in Fund Balances	(23,609)	(3,398)	(83,416)	1,255	(109,168)
Fund Balance, July 1, 2001	1,116,858	11,902	83,416	52,326	1,264,502
Fund Balance, June 30, 2002	\$ 1,093,249	8,504	-	53,581	1,155,334

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
June 30, 2002

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Total Internal Service Funds
<u>ASSETS:</u>			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 1,770,394	2,570,114	4,340,508
Long-Term Certificates of Deposit	-	350,000	350,000
Accounts Receivable	6,239	132	6,371
Interest Receivable	-	74	74
Inventories	238,791	-	238,791
Prepaid Items	-	109,957	109,957
Total Current Assets	<u>2,015,424</u>	<u>3,030,277</u>	<u>5,045,701</u>
Capital Assets:			
Land	14,695	-	14,695
Machinery and equipment	15,832,535	-	15,832,535
Less: Accumulated Depreciation	(9,781,008)	-	(9,781,008)
Total Capital Assets	<u>6,066,222</u>	<u>-</u>	<u>6,066,222</u>
Other Assets -			
Deposits	-	30,000	30,000
Total Other Assets	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Restricted Assets:			
Cash in Bank	4,789,592	-	4,789,592
Investments	466,543	-	466,543
Total Restricted Assets	<u>5,256,135</u>	<u>-</u>	<u>5,256,135</u>
Total Assets	<u>13,337,781</u>	<u>3,060,277</u>	<u>16,398,058</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	31,324	29,321	60,645
Benefits Payable	-	78,193	78,193
Compensated Absences Payable	56,520	12,160	68,680
Total Current Liabilities	<u>87,844</u>	<u>119,674</u>	<u>207,518</u>
Total Liabilities	<u>87,844</u>	<u>119,674</u>	<u>207,518</u>
<u>NET ASSETS:</u>			
Invested in Capital Assets	6,066,222	-	6,066,222
Unrestricted	<u>7,183,715</u>	<u>2,940,603</u>	<u>10,124,318</u>
Total Net Assets	<u>\$ 13,249,937</u>	<u>2,940,603</u>	<u>16,190,540</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
For the Year Ended June 30, 2002

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Total Internal Service Funds
<u>Operating Revenue -</u>			
Charges for Sales and Services	\$ 3,310,821	1,574,720	4,885,541
Total Operating Revenue	3,310,821	1,574,720	4,885,541
<u>Operating Expenses:</u>			
Personal Services and Benefits	832,530	121,101	953,631
Materials and Supplies	1,432,923	2,986	1,435,909
Contractual Services	68,515	32,026	100,541
Insurance	1,462	343,736	345,198
Insurance Claims	-	984,327	984,327
Depreciation	1,159,582	3,436	1,163,018
Miscellaneous	2,848	-	2,848
Total Operating Expenses	3,497,860	1,487,612	4,985,472
Operating Income (Loss)	(187,039)	87,108	(99,931)
<u>Non-Operating Revenues:</u>			
Gain on Disposals of Capital Assets	19,752	-	19,752
Investment Earnings	275,954	80,835	356,789
Income before Transfers	108,667	167,943	276,610
<u>Other Financing Sources -</u>			
Operating Transfers	165,020	-	165,020
Change in Net Assets	273,687	167,943	441,630
Net Assets, July 1, 2001	13,006,917	2,768,892	15,775,809
Prior Period Adjustment - Accrued Payroll	(30,667)	3,768	(26,899)
Net Assets, June 30, 2002	\$ 13,249,937	2,940,603	16,190,540

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2002

	Fleet Operations & Maintenance Fund	Insurance Reserve Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Receipts from Customers and Users	\$ 3,283,127	1,574,588	4,857,715
Payments to Suppliers	(1,535,038)	(1,497,741)	(3,032,779)
Payments to Employees	(832,900)	(114,035)	(946,935)
Net Cash Provided (Used) by Operating Activities	915,189	(37,188)	878,001
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Purchases of Capital Assets	(660,910)	-	(660,910)
Proceeds from Sales of Capital Assets	18,804	-	18,804
Net Cash Used by Capital and Related Financing Activities	(642,106)	-	(642,106)
<u>Cash Flows from Investing Activities:</u>			
Proceeds from Sales and Maturities of Investments	932,572	-	932,572
Purchase of Investments	(465,616)	-	(465,616)
Interest Received	246,536	80,865	327,401
Net Cash Provided by Investing Activities	713,492	80,865	794,357
Net Increase in Cash and Cash Equivalents	986,575	43,677	1,030,252
Cash and Cash Equivalents, July 1, 2001	5,573,411	2,526,437	8,099,848
Cash and Cash Equivalents, June 30, 2002	<u>\$ 6,559,986</u>	<u>2,570,114</u>	<u>9,130,100</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$ (187,039)	87,108	(99,931)
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
<u>Provided (Used) by Operating Activities:</u>			
Depreciation	1,159,582	3,436	1,163,018
Gain on Disposals of Capital Assets	(19,752)	-	(19,752)
(Increase) Decrease in Assets:			
Accounts Receivable	10	(132)	(122)
Interest Receivable	-	30	30
Inventories	(506)	-	(506)
Prepaid Items	-	(37,178)	(37,178)
Increase (Decrease) in Liabilities:			
Accounts Payable	(36,736)	(127,860)	(164,596)
Benefits Payable	-	30,372	30,372
Compensated Absences Payable	(370)	7,036	6,666
Net Cash Provided (Used) by Operating Activities	<u>\$ 915,189</u>	<u>(37,188)</u>	<u>878,001</u>
<u>Reconciliation of Cash and Cash Equivalents from Statement</u>			
<u>of Cash Flows to Statement of Net Assets:</u>			
Equity in Pooled Cash and Investments	\$ 1,770,394	2,570,114	4,340,508
Restricted Assets - Cash in Bank	4,789,592	-	4,789,592
Cash and Cash Equivalents, June 30, 2002	<u>\$ 6,559,986</u>	<u>2,570,114</u>	<u>9,130,100</u>

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCE  
June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<u>Governmental Funds Capital Assets:</u>		
Land	\$ 10,128,028	6,137,115
Buildings	83,702,925	83,740,151
Improvements other than Buildings	9,138,136	5,427,793
Equipment	9,824,568	15,241,521
Software	144,181	65,780
Infrastructure	253,357,434	253,357,434
Construction in Progress	17,967,094	14,606,451
Total Governmental Funds Capital Assets	<u>384,262,366</u>	<u>378,576,245</u>
 <u>Investments in Governmental Funds Capital Assets by Source:</u>		
General Obligation Bonds	318,113,351	320,506,682
Contributions from Municipalities	298,016	299,124
Federal Grants	2,925,407	3,048,361
State Grants	189,338	265,035
County Grants	63,817	19,817
Federal Revenue Sharing	261,130	288,368
General Fund Revenue	13,555,039	9,927,080
Gifts	5,619,428	1,734,988
Special Revenue Funds	21,878,022	27,678,079
Operating Revenue	3,280,090	86,321
Capital Lease Purchase	110,545	110,545
Notes Payable	1,089	5,394
Construction in Progress	17,967,094	14,606,451
Total Governmental Funds Capital Assets	<u>\$ 384,262,366</u>	<u>378,576,245</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF KINGSPORT, TENNESSEE  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
June 30, 2002

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Software	Infrastructure	Construction in Progress	Total
<u>General Government:</u>								
General Government	\$ 3,165,400	598,769	7,503	9,600	-	-	-	3,781,272
City Manager	-	-	20,889	-	-	-	-	20,889
City Attorney	-	-	-	-	-	-	-	-
Land/Buildings	-	-	-	-	-	-	-	-
Public Information	-	-	-	-	-	-	-	-
Personnel	-	-	-	-	-	-	-	-
Purchasing	-	-	-	-	-	-	-	-
Insurance Administration	-	-	-	-	-	-	-	-
Finance	-	-	-	36,027	-	-	25,081	61,108
Information Services	-	-	-	1,395,428	-	-	-	1,395,428
Geographic Information	-	-	-	113,283	-	-	-	113,283
Total General Government	3,165,400	598,769	28,392	1,554,338	-	-	25,081	5,371,980
<u>Economic and Physical Development:</u>								
Developmental Services	-	650,519	45,984	34,574	-	-	-	731,077
Planning	-	-	-	-	-	-	-	-
Transportation	-	637,853	11,328	1,120,667	-	-	226,161	1,996,009
Engineering	-	-	-	39,326	-	-	-	39,326
Community Development	-	-	-	-	-	-	-	-
Total Economic and Physical Development	-	1,288,372	57,312	1,194,567	-	-	226,161	2,766,412
<u>Public Safety:</u>								
Police	90,587	4,411,218	51,147	251,222	-	-	-	4,804,174
Fire	217,587	2,139,316	53,405	279,821	-	-	346,471	3,036,600
Communication	-	66,534	-	66,972	-	-	-	133,506
Central Dispatch	-	-	78,405	2,168,168	-	-	-	2,246,573
Total Public Safety	308,174	6,617,068	182,957	2,766,183	-	-	346,471	10,220,853

(Continued)

CITY OF KINGSPORT, TENNESSEE  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
June 30, 2002

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Software	Infrastructure	Construction in Progress	Total
<u>Public Works:</u>								
General and Administrative	-	315,240	5,370	33,180	-	-	-	353,790
Sanitation	-	-	-	13,742	-	-	-	13,742
Streets	-	-	590,027	187,630	-	-	2,980,443	3,758,100
Maintenance	-	-	-	24,129	-	-	-	24,129
Environmental	-	-	-	-	-	-	-	-
Bridges System	-	-	-	-	-	5,329,324	-	5,329,324
Highways System	-	-	-	-	-	243,605,639	-	243,605,639
Total Public Works	-	315,240	595,397	258,681	-	248,934,963	2,980,443	253,084,724
<u>Culture and Recreation:</u>								
Senior Citizens	-	3,871,546	-	7,197	-	-	-	3,878,743
Recreation	4,611,229	7,529,158	1,714,483	348,466	-	-	1,981,869	16,185,205
Bays Mountain	250,000	862,042	315,891	156,034	-	-	3,383	1,587,350
Allandale	502,017	344,930	133,450	193,392	-	-	86,816	1,260,605
Library	133,000	3,620,618	-	47,177	-	4,422,471	-	8,223,266
Total Culture and Recreation	5,496,246	16,228,294	2,163,824	752,266	-	4,422,471	2,072,068	31,135,169
<u>Education</u>	1,158,208	58,655,182	6,110,254	3,298,533	144,181	-	12,316,870	81,683,228
Total Governmental Funds Capital Assets	\$ 10,128,028	83,702,925	9,138,136	9,824,568	144,181	253,357,434	17,967,094	384,262,366

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF KINGSPORT, TENNESSEE  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
For the Year Ended June 30, 2002

Function and Activity	Governmental Funds Capital Assets July 1, 2001	Additions	Deletions	Adjustments <sup>2</sup>	Governmental Funds Capital Assets June 30, 2002
<u>General Government:</u>					
General Government	\$ 3,673,055	120,114	-	(11,897)	3,781,272
City Manager	48,841	-	-	(27,952)	20,889
City Attorney	22,878	-	-	(22,878)	-
Land/Buildings	18,781	-	-	(18,781)	-
Public Information	4,283	-	-	(4,283)	-
Personnel	15,946	-	-	(15,946)	-
Purchasing	24,087	-	-	(24,087)	-
Insurance Administration	3,472	-	-	(3,472)	-
Finance	153,529	11,125	-	(103,546)	61,108
Information Services	1,488,370	10,260	(41,005)	(62,197)	1,395,428
Geographic Information	166,938	12,082	-	(65,737)	113,283
Total General Government	5,620,180	153,581	(41,005)	(360,776)	5,371,980
<u>Economic and Physical Development:</u>					
Developmental Services	739,939	-	-	(8,862)	731,077
Planning	17,327	-	-	(17,327)	-
Transportation	1,723,193	396,843	-	(124,027)	1,996,009
Engineering	82,115	-	-	(42,789)	39,326
Community Development	8,691	-	-	(8,691)	-
Total Economic and Physical Development	2,571,265	396,843	-	(201,696)	2,766,412
<u>Public Safety:</u>					
Police	5,083,014	13,894	-	(292,734)	4,804,174
Fire	2,850,951	343,451	-	(157,802)	3,036,600
Communication	2,442,085	-	(91,561)	(2,217,018)	133,506
Central Dispatch	78,631	44,825	(3,700)	2,126,817	2,246,573
Total Public Safety	10,454,681	402,170	(95,261)	(540,737)	10,220,853

(Continued)

CITY OF KINGSPORT, TENNESSEE  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
For the Year Ended June 30, 2002

Function and Activity	Governmental Funds Capital Assets July 1, 2001	Additions	Deletions	Adjustments <sup>2</sup>	Governmental Funds Capital Assets June 30, 2002
<u>Public Works:</u>					
General and Administrative	370,506	5,370	-	(22,086)	353,790
Sanitation	30,894	-	-	(17,152)	13,742
Streets	277,104	3,526,338	-	(45,342)	3,758,100
Maintenance	44,382	-	(2,000)	(18,253)	24,129
Environmental	1,778	-	-	(1,778)	-
Bridges System	5,329,324 <sup>3</sup>	-	-	-	5,329,324
Highways System	243,605,639 <sup>3</sup>	-	-	-	243,605,639
Total Public Works	249,659,627	3,531,708	(2,000)	(104,611)	253,084,724
<u>Culture and Recreation:</u>					
Senior Citizens	3,955,246	-	-	(76,503)	3,878,743
Recreation	10,480,098	5,881,499	-	(176,392)	16,185,205
Bays Mountain	1,637,402	3,382	-	(53,434)	1,587,350
Allandale	1,316,092	323	-	(55,810)	1,260,605
Library	8,330,267 <sup>3</sup>	-	-	(107,001)	8,223,266
Total Culture and Recreation	25,719,105	5,885,204	-	(469,140)	31,135,169
<u>Education</u>	84,551,387	3,697,591	(176,825)	(6,388,925)	81,683,228
Total Governmental Funds Capital Assets	\$ 378,576,245	14,067,097	(315,091)	(8,065,885)	384,262,366

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

<sup>2</sup> Effective July 1, 2001, the City increased its capitalization threshold from \$1,000 to \$5,000. The City retroactively adjusted capital assets to remove all assets under \$5,000.

<sup>3</sup> Effective July 1, 2001, the City retroactively adjusted capital assets to record infrastructure assets (i.e., \$5,329,324 for bridges system, \$243,605,639 for highways system, \$4,422,471 for public library collection) in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF OPERATING COSTS  
ENTERPRISE FUNDS  
For the Year Ended June 30, 2002

	Water Fund	Sewer Fund	Solid Waste Management Fund	MeadowView Conference Resort and Convention Center Fund	Cattails at MeadowView Golf Course Fund	Total Enterprise Funds
General and Administrative:						
Personnel Services	\$ 298,001	329,940	-	-	-	627,941
Supplies	49,397	1,205	-	-	-	50,602
Contractual Services	1,025,146	682,898	-	-	22,938	1,730,982
Accounting and Finance	186,430	-	4,590	9,558	29,887	230,465
Insurance	5,725	5,040	-	3,367	5,153	19,285
Subsidies and Contributions	26,150	12,800	-	97,082	-	136,032
Base Management Fee	-	-	-	98,540	33,195	131,735
Taxes and Permits	-	-	-	8,819	-	8,819
Other	26,899	-	-	729	27,150	54,778
Total General and Administrative	1,617,748	1,031,883	4,590	218,095	118,323	2,990,639
Operations:						
Personnel Services	544,938	626,613	-	-	-	1,171,551
Supplies	261,280	180,361	-	-	-	441,641
Contractual Services	607,452	400,000	140,876	271,409	78,714	1,498,451
Distribution System Maintenance	2,067,227	-	-	-	-	2,067,227
Collection System Maintenance	-	1,537,156	-	-	-	1,537,156
Reading, Service and Maintenance of Meters	771,516	-	-	-	-	771,516
Environmental Services	-	27,882	-	-	-	27,882
Landfill Operations and Services	-	-	910,766	-	-	910,766
Waste Collection Services	-	-	562,228	-	-	562,228
Organic Refuse Services	-	-	658,902	-	-	658,902
Recycling Services	-	-	378,735	-	-	378,735
Golf Pro Shop	-	-	-	-	329,362	329,362
Golf Grounds	-	-	-	-	273,138	273,138
Food and Beverage	-	-	-	-	80,960	80,960
Utilities	-	-	-	-	20,105	20,105
Total Operations	4,252,413	2,772,012	2,651,507	271,409	782,279	10,729,620
Total Operating Costs	\$ 5,870,161	3,803,895	2,656,097	489,504	900,602	13,720,259

See accompanying notes to the basic financial statements.

CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2002

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance June 30, 2001	Cash Receipts	Expenditures	Balance June 30, 2002
<u>SCHOOL FOOD AND NUTRITION SERVICES FUND:</u>						
Pass-Through Tennessee Department of Education:						
10.555	National School Lunch Program	U.S. Department of Agriculture	\$ (85,196)	776,308	691,112	-
10.553	School Breakfast Program	U.S. Department of Agriculture	(22,721)	190,260	167,539	-
Pass-Through Tennessee Department of Agriculture:						
10.550	Commodity Supplemental Feeding	U.S. Department of Agriculture	25,056	92,069	64,283	52,842 ***
Total School Food and Nutrition Services Fund			(82,861)	1,058,637	922,934	52,842
<u>PUBLIC LAW 93-380 FUND:</u>						
Pass-Through Tennessee Department of Education:						
84.010	Title I, Project 02-01	U.S. Department of Education	-	965,000	1,069,760	(104,760) **
84.010	Title I, Project 00-21	U.S. Department of Education	(79,405)	81,595	2,190	-
84.010	Title I, Project 01-01	U.S. Department of Education	46,347	264,685	311,032	-
84.048	Title II, 02-01	U.S. Department of Education	-	36,900	48,367	(11,467) **
84.048	Title II, 01-01	U.S. Department of Education	(5,557)	9,651	4,094	-
84.048	Carl Perkins, 2002	U.S. Department of Education	-	146,363	203,696	(57,333) *
84.048	Carl Perkins, 01-01	U.S. Department of Education	7,492	-	7,492	-
84.010	Title VI, 02-01	U.S. Department of Education	-	24,000	29,098	(5,098) *
84.010	Title VI, 00-21	U.S. Department of Education	(3,567)	45,881	42,314	-
84.010	Title VI, 01-01	U.S. Department of Education	(10,040)	38,258	28,218	-
84.340	Class-Size Reduction Program	U.S. Department of Education	26,395	217,342	243,737	-
84.186	Drug-Free Schools	U.S. Department of Education	(26,020)	51,244	25,224	-
84.027	Pre-School, 02-01	U.S. Department of Education	-	9,143	9,143	-
84.027	Pre-School, 01-21	U.S. Department of Education	-	48,714	47,515	1,199 **
84.027	Pre-School, 00-21	U.S. Department of Education	3,183	14,552	17,735	-
84.027	Pre-School, 01-01	U.S. Department of Education	(38,822)	39,571	749	-
84.027	IDEA Part B, 02-01	U.S. Department of Education	-	596,500	522,221	74,279 **
84.027	IDEA Part B, 00-21	U.S. Department of Education	(80,823)	98,019	17,196	-
84.027	IDEA Part B, 01-01	U.S. Department of Education	(3,730)	157,144	153,414	-
Total Public Law 93-380			(164,547)	2,844,562	2,783,195	(103,180)

\* Receivable    \*\* Unused Revenue    \*\*\* Inventory on Hand

(Continued)

CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2002

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance June 30, 2001	Cash Receipts	Expenditures	Balance June 30, 2002
<u>SPECIAL SCHOOL PROJECTS FUND:</u>						
Direct Programs:						
84.287A	Community of Learners 2001	U.S. Department of Education	(6,535)	36,101	29,566	-
84.287A	Community of Learners 2002	U.S. Department of Education	-	130,000	129,736	264 **
Pass-Through Tennessee Department of Education:						
84.196	Education for Homeless Children & Youth/Z-01-100580	U.S. Department of Education	(7,349)	7,349	490	(490) **
84.196	Education for Homeless Children & Youth/Z-02-006103	U.S. Department of Education	-	23,440	31,411	(7,971) *
84.276	Goals 2000-Reading Rules/Z-01-006995	U.S. Department of Education	(7,312)	15,955	10,696	(2,053) *
84.278	Education Edge/Z-97-082540	U.S. Department of Education	(1,746)	1,746	2,169	(2,169) **
84.126	School-to-Work Grant/GG-01-08618	U.S. Department of Health and Human Services	(2,952)	2,952	-	-
84.184	Safe Schools	U.S. Department of Education	-	14,943	21,628	(6,685) *
64.116	Vocational Rehabilitation	U.S. Department of Education	-	51,242	59,144	(7,902) *
84.360	Dropout Prevention Program	U.S. Department of Education	-	-	5,757	(5,757) *
84.349	Early Childhood Program	U.S. Department of Education	(18,039)	237,573	274,775	(55,241) *
93.561	Job Opportunities and Basic Skills Training - Families First/Z-01-099139	U.S. Department of Health and Human Services	(5,945)	6,655	710	-
93.561	Job Opportunities and Basic Skills Training - Families First/01-02	U.S. Department of Health and Human Services	-	23,359	25,319	(1,960) *
Total Special School Projects Fund			<u>(49,878)</u>	<u>551,315</u>	<u>591,401</u>	<u>(89,964)</u>
<u>SPECIAL REVENUE GENERAL PROJECTS FUND:</u>						
Direct Programs:						
16.710	School Resource Officer	U.S. Department of Justice	(7,371)	26,261	26,261	(7,371) *
Pass-through Tennessee Department of Finance and Administration:						
16.710	Stop Violence Against Women/Z-00-093859	U.S. Department of Justice	(5,066)	6,260	1,194	-
Pass-through Tennessee Department of Transportation:						
	East Kingsport Comprehensive Transportation	U.S. Department of Transportation	-	-	38,649	(38,649) *
	Kingsport Redevelopment Transportation Corridors	U.S. Department of Transportation	-	-	26,000	(26,000) *

\* Receivable    \*\* Unused Revenue    \*\*\* Inventory on Hand

(Continued)

CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2002

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance June 30, 2001	Cash Receipts	Expenditures	Balance June 30, 2002
<u>SPECIAL REVENUE GENERAL PROJECTS FUND (CONTINUED):</u>						
Pass-through Kingsport Housing and Redevelopment Authority:						
14.854	Riverview Substation	U.S. Department of Housing and Urban Development	-	41,434	45,307	(3,873) *
14.854	Cloud Substation	U.S. Department of Housing and Urban Development	-	30,498	33,887	(3,389) *
14.854	Bike Patrol	U.S. Department of Housing and Urban Development	-	15,011	16,077	(1,066) *
Total Special Revenue General Projects Fund			(12,437)	119,464	187,375	(80,348)
<u>COMMUNITY DEVELOPMENT FUND:</u>						
Direct Programs:						
14.218	Community Development Block Grants	U.S. Department of Housing and Urban Development	(138,839)	381,694	569,583	(326,728) *
Entitlement Grants -						
Pass-Through Tennessee Housing Development Authority:						
14.231	HOME Program/DG-9901322	U.S. Department of Housing and Urban Development	-	17,424	82,699	(65,275)
Total Community Development Fund			(138,839)	399,118	652,282	(392,003)
<u>URBAN MASS TRANSIT ADMINISTRATION FUND:</u>						
Direct Programs:						
20.507	FTA Capital/Operating/Planning TN-90-X188	U.S. Department of Transportation	-	83,272	146,488	(63,216)
20.507	FTA Capital/Operating/Planning TN-90-X168	U.S. Department of Transportation	(651)	1,014	363	- *
20.507	FTA Capital/Operating/Planning TN-90-X177	U.S. Department of Transportation	(42,223)	90,079	53,956	(6,100) *
Pass-Through Tennessee Department of Transportation:						
20.507	FTA Capital/Operating - Section 8 / GC0109079	U.S. Department of Transportation	(22,977)	32,202	30,137	(20,912) *
20.507	FTA Capital FTA001/Z-00-097885	U.S. Department of Transportation	(24,044)	95,969	145,500	(73,575) *
Total Urban Mass Transit Administration Fund			(89,895)	302,536	376,444	(163,803)

\* Receivable    \*\* Unused Revenue    \*\*\* Inventory on Hand

(Continued)

CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2002

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance June 30, 2001	Cash Receipts	Expenditures	Balance June 30, 2002
<u><b>CAPITAL PROJECTS FUND:</b></u>						
Pass-Through First Tennessee Development District:						
11.300	Regional Center for Applied Technology	U.S. Department of Commerce	-	-	43,263	(43,263) *
Pass-Through Tennessee Department of Transportation:						
20.507	Regional Center for Applied Technology	U.S. Department of Transportation	-	-	154,874	(154,874) *
20.507	Heritage Trail / ISTEA Project STP-EN-9108	U.S. Department of Transportation	-	15,289	6,030	9,259 **
Total Capital Projects Fund			-	15,289	204,167	(188,878)
<u><b>GENERAL FUND:</b></u>						
Direct Programs:						
83.554	Fire Dept. - EMW-2001-FG-05492	Federal Emergency Management Agency	-	49,500	49,500	-
Pass-Through First Tennessee Department of Health and Human Services:						
93.044	Senior Center - KINGS-2000-OTH-11 Title III Part B	U.S. Department of Health and Human Services	-	8,713	8,713	-
Pass-Through Tennessee Department of Transportation:						
20.205	FHWA Project No. SPR-PL-1-(37)/Z-00-95857	Federal Highway Administration	(28,141)	107,462	99,929	(20,608) *
Total General Fund			(28,141)	165,675	158,142	(20,608)
<u><b>SCHOOL FUND:</b></u>						
Direct Programs:						
84.041	Impact Aid Maintenance and Operations	U.S. Department of Education	-	4,885	4,885	-
Pass-Through Tennessee Department of Education						
84.002	Adult Basic Education	U.S. Department of Education	(11,074)	109,156	111,173	(13,091) *
84.027	IDEA Part B	U.S. Department of Education	-	101,022	101,022	-
Total School Fund			(11,074)	215,063	217,080	(13,091)

\* Receivable    \*\* Unused Revenue    \*\*\* Inventory on Hand

(Continued)

CITY OF KINGSFORT, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2002

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance June 30, 2001	Cash Receipts	Expenditures	Balance June 30, 2002
<u>LOCAL LAW ENFORCEMENT FUND:</u>						
Direct Programs:						
16.592	Local Law Enforcement Block Grant Program	U.S. Department of Justice	96,696	73,376	46,539	123,533 **
Total Federal Awards			<u>\$ (480,976)</u>	<u>5,745,035</u>	<u>6,139,559</u>	<u>(875,500)</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Kingsport, Tennessee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and used. The balance amounts represent inventory on hand. Non-monetary assistance has not been included in the financial statements.

\* Receivable    \*\* Unused Revenue    \*\*\* Inventory on Hand

See Independent Auditors' Report.

CITY OF KINGSFORT, TENNESSEE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended June 30, 2002

State Grant Number	Program Name/Grant Number	Grantor Agency	Balance June 30, 2001	Cash Receipts	Expenditures	Balance June 30,2002
<u>SPECIAL REVENUE GENERAL PROJECTS FUND:</u>						
DTNH22-00-G-0988	Governor's Highway Safety Office	Tennessee Department of Transportation	\$ -	5,000	5,000	-
Total Special Revenue General Projects			-	5,000	5,000	-
<u>SPECIAL SCHOOL PROJECTS FUND:</u>						
Z-01-100653	Family Resource Center 01	Tennessee Department of Education	(3,005)	3,005	-	-
GG-00-08339	One-Room Drop-In School 02	Tennessee Department of Education	-	-	18,253	(18,253) *
GG-01-08856	One-Room Drop-In School 01	Tennessee Department of Education	(52,500)	52,500	929	(929) **
Z-01-001549	Early Childhood Education-Pre K	Tennessee Department of Education	(52,163)	89,548	37,385	-
N/A	Beginning Teacher Training	Tennessee Department of Education	-	-	7,700	(7,700) *
N/A	Truancy Intervention Program 2002	Tennessee Department of Children's Services	-	79,597	79,039	558 **
N/A	Truancy Intervention Program 2001	Tennessee Department of Children's Services	6,430	-	12,860	(6,430) **
Total Special School Projects Fund			(101,238)	224,650	156,166	(32,754)
<u>URBAN MASS TRANSIT ADMINISTRATION FUND:</u>						
N/A	Project #TN-90-X188 Capital/Operating	Tennessee Department of Transportation	-	21,784	41,850	(20,066) **
GG-98-07836	Project #TN-90-X150 Capital/Operating	Tennessee Department of Transportation	44	-	44	-
N/A	Project #TN-82-901-9623-04	Tennessee Department of Transportation	-	-	153,919	(153,919) *
Z-00-096733	Project #TN-90-X168 Operating	Tennessee Department of Transportation	(260)	260	-	- *
GG-01-08944	Project #TN-90-X177 Capital/Operating	Tennessee Department of Transportation	(13,515)	25,451	13,862	(1,926) *
Z-00-098038	Section 8 Grant	Tennessee Department of Transportation	(2,252)	3,190	8,510	(7,572) *
Total Urban Mass Transit Administration Fund			(15,983)	50,685	218,185	(183,483)
<u>COMMUNITY DEVELOPMENT:</u>						
HS-99E-008	HOUSE Program/DG-9901323	Tennessee Housing Development Agency	-	17,424	87,553	(70,129) *
Z-01-98335	Emergency Shelter Grant	Tennessee Department of Human Services	(17,578)	52,105	44,436	(9,909) *
Total Community Development			(17,578)	69,529	131,989	(80,038)
<u>CAPITAL PROJECTS FUND:</u>						
Z-02-009962	Library Services Technology Act Grant	Institute of Museum and Library Services	-	15,200	-	15,200 **
Total Capital Projects Fund			-	15,200	-	15,200
<u>GENERAL FUND:</u>						
N/A	KINGS-2000-OTH-11	First Tennessee Department District Area Agency on Aging	-	21,860	21,860	-
DA-19981109	Direct Appropriation Grant	Tennessee Department of Finance and Administration	25,000	-	25,000	-
Total General Fund			25,000	21,860	46,860	-
Total State Awards			\$ (109,799)	386,924	558,200	(281,075)

\* Receivable    \*\* Unused Revenue

See Independent Auditors' Report.

**CITY OF KINGSPORT, TENNESSEE  
GOVERNMENT-WIDE REVENUES  
FOR THE YEARS NOTED**

**TABLE 1**

PROGRAM REVENUES				GENERAL REVENUES				
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions <u>not</u> Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous	Total
2002	\$27,417,806	\$5,653,148	\$1,021,100	\$80,466,428	\$986,470	\$1,559,768	\$635,686	\$117,740,406

Source: City of Kingsport Finance Department.

Note: Information for years ended June 30, 1993 through 2001, not available.

**CITY OF KINGSPORT, TENNESSEE  
GOVERNMENT-WIDE EXPENDITURES BY FUNCTION  
FOR THE YEARS NOTED**

**TABLE 2**

Fiscal Year	General Government	Public Safety	Developmental Services	Public Works	Leisure Services	Education	Interest	Miscellaneous	Water	Sewer	Solid Waste Management	Meadowview Conference Resort and Convention Center	Cattails at Meadowview Golf Course	Total
2002	\$5,529,991	\$12,631,249	\$3,128,408	\$11,312,758	\$4,096,242	\$47,839,680	\$2,712,874	\$234,164	\$8,215,883	\$8,014,552	\$2,794,193	\$2,116,654	\$1,351,473	\$109,978,121

Source: City of Kingsport Finance Department.

Note: Information for years ended June 30, 1993 through 2001, not available.

**CITY OF KINGSPORT, TENNESSEE**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

**TABLE 3**

	Taxes	Licenses and Permits	Charges for Services	Fines and Forfeitures	Inter- Governmental	Miscellaneous	Interest	Total
1993	\$17,530,019	\$204,083	\$1,990,679	\$283,844	\$43,009,435	\$569,930	\$1,312,748	\$64,900,738
1994	18,359,324	205,909	1,970,138	287,613	44,598,615	494,332	1,363,981	67,279,912
1995	20,172,973	226,900	2,147,922	263,951	47,141,512	440,373	1,861,391	72,255,022
1996	20,853,751	277,595	2,295,642	388,332	47,935,207	404,593	1,948,591	74,103,711
1997	23,166,770	254,640	2,127,789	376,771	51,000,466	435,024	1,043,778	78,405,238
1998	38,811,983	230,326	4,822,537	427,697	37,890,907	777,870	1,048,831	84,010,151
1999	42,898,551	266,638	5,144,801	430,578	40,124,251	587,734	1,035,838	90,488,391
2000	40,842,900	208,710	5,518,492	393,975	40,434,702	703,600	2,207,119	90,309,498
2001	42,567,048	207,345	4,800,278	541,584	43,518,398	393,580	1,997,117	94,025,350
2002	43,643,956	401,240	4,642,902	506,117	44,025,270	346,638	760,894	94,327,017

Source: City of Kingsport Finance Department.

**CITY OF KINGSPORT, TENNESSEE  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
LAST TEN FISCAL YEARS**

**TABLE 4**

		General Government	Public Safety	Development Services	Public Works	Leisure Services	Education	Capital Outlay	Debt Service		Total
									Principal	Interest	
1993	\$	3,768,818	8,533,582	1,832,949	4,299,328	2,335,536	32,492,856	11,549,879	12,624,167	3,396,130	80,833,245
1994		4,846,242	8,835,813	1,766,713	4,706,411	2,533,318	34,529,116	11,971,022	2,723,446	3,780,339	75,692,420
1995		3,663,654	9,265,612	1,833,291	4,888,112	2,615,401	35,592,455	12,165,426	5,439,726	4,533,922	79,997,599
1996		3,835,863	9,681,734	1,778,726	5,197,349	2,794,923	35,929,273	22,035,018	5,110,008	4,627,201	90,990,095
1997		4,028,111	9,956,961	2,021,629	5,492,910	2,863,379	37,030,441	19,261,347	11,637,566	4,367,886	96,660,230
1998		4,051,381	10,344,100	2,035,774	8,752,673	2,767,002	37,311,553	10,191,940	4,601,671	3,801,322	83,857,416
1999		4,801,425	11,061,333	2,181,495	8,593,618	2,894,578	39,192,923	5,587,268	31,775,658	3,338,173	109,426,471
2000		5,109,739	11,078,843	2,242,623	9,197,704	2,961,733	40,498,359	7,329,526	5,219,333	3,133,338	86,771,198
2001		5,448,922	11,331,338	3,567,335	8,947,190	3,196,889	42,787,881	14,951,028	6,080,972	2,923,767	99,235,322
2002		5,546,109	12,195,953	2,977,522	6,481,771	3,190,130	44,588,571	7,368,168	6,627,888	2,760,539	91,736,651

Source: City of Kingsport Finance Department.

TABLE 5

**CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF TAX LEVY AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year Ending June 30	Year of Tax Roll	Taxes Levied	Current Collections	Current Collections as a Percentage of Levy	Current and Delinquent Collections	Current and Delinquent Collections As a Percentage of Levy	Accumulated Delinquency Fiscal Year End
1992	1991	\$ 14,506,743	13,961,330	96.2%	14,206,220	97.9%	970,537
1993	1992	15,125,421	14,768,615	97.6%	15,274,409	101.0%	821,549
1994	1993	16,002,607	15,600,431	97.5%	15,855,133	99.1%	969,023
1995	1994	17,388,481	17,085,048	98.3%	17,692,363	101.7%	588,743
1996	1995	17,974,301	17,589,580	97.9%	17,830,198	99.2%	750,905
1997	1996	19,990,831	19,530,290	97.7%	19,892,611	99.5%	851,743
1998	1997	21,469,253	21,036,592	98.0%	21,441,977	99.9%	894,345
1999	1998	22,914,214	22,326,536	97.4%	22,631,338	98.8%	1,133,745
2000	1999	22,522,659	21,895,993	97.2%	22,409,916	99.5%	1,236,442
2001	2000	22,827,678	22,121,322	96.9%	22,842,282	100.1%	1,135,271
2002	2001	23,911,170	23,042,569	96.4%	23,631,064	98.8%	1,434,288

Receivables for 1991 - 1997 are adjusted for tax write-off's of \$4,304 and recovery of bad debts of \$830.

Source: City of Kingsport Finance Department

TABLE 6

**CITY OF KINGSPORT, TENNESSEE**  
**STATEMENT OF ASSESSED AND APPRAISAL VALUES, TAX RATE, AND TAX LEVY**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Year of Tax Roll	Real Property		Personal Property		Public Utilities (1)		Total		Ratio of Total		
		Assessed Value	Estimated Appraisal Value	Assessed Value	Estimated Appraisal Value	Assessed Value	Estimated Appraisal Value	Assessed Value	Estimated Appraisal Value	Assessed Value to Total Estimated Appraisal Value	Tax Rate	Tax Levy
1993	1992	\$ 405,016,244	1,258,022,125	212,329,582	707,765,273	26,288,219	47,796,762	643,634,045	2,013,584,160	31.96%	2.35	15,125,421
1994	1993	474,668,155	1,519,570,377	268,638,937	895,463,123	33,516,375	60,938,864	776,823,467	2,475,972,364	31.37%	2.06	16,002,607
1995	1994	475,533,466	1,535,074,923	276,083,284	920,277,613	34,828,226	63,324,047	786,444,976	2,518,676,583	31.22%	2.21	17,380,456
1996	1995	495,064,386	1,602,090,033	250,194,193	833,980,643	32,733,547	59,515,540	777,992,126	2,495,586,216	31.17%	2.31	17,974,301
1997	1996	514,520,827	1,667,486,020	250,874,345	836,247,817	33,761,094	61,383,807	799,156,266	2,565,117,644	31.15%	2.51	19,990,831
1998	1997	592,960,082	1,947,226,613	304,776,412	1,015,921,373	35,707,245	64,922,264	933,443,739	3,028,070,250	30.83%	2.30	21,469,253
1999	1998	611,816,896	2,009,411,803	308,429,782	1,028,099,273	37,273,648	67,770,269	957,520,326	3,105,281,345	30.84%	2.39	22,914,214 (2)
2000	1999	619,811,024	2,041,385,383	289,111,759	1,054,196,116	33,216,706	60,394,011	942,139,489	3,155,975,510	29.85%	2.39	22,522,659 (3)
2001	2000	635,061,462	2,090,213,289	280,452,313	1,023,039,260	35,562,788	64,659,614	951,076,563	3,177,912,163	29.93%	2.39	22,827,678 (4)
2002	2001	729,305,517	2,390,996,924	307,946,010	1,026,486,700	39,512,083	71,840,150	1,076,763,610	3,489,323,774	30.86%	2.22	23,911,170 (5)

Property has been assessed at the following ratios since tax year 1983 as required by State law.

Real Property:	Residential	25% of true value
	Industrial and Commercial	40% of true value
Personal Property:	Industrial and Commercial	30% of true value
	Public Utilities	55% of true value
State Assessed Public Utilities:		55% of true value

Note 1: Includes only the property assessed by the State of Tennessee - Office of State Assessed Properties. Any locally assessed public utility property is included with all other real property assessments. Prior to tax year 1996, the assessed values for public utilities were provided by the State of Tennessee - Public Service Commission.

Note 2: therefore, a sales ratio adjustment was made by the State of Tennessee. The last reappraisal of property in Sullivan County was in tax year 1997. The tax levy inside Sullivan County is \$22,123,401 and inside Hawkins County is \$790,813. The 1998 property tax levy included \$6,950 in a special assessment for code violations that has no corresponding 1998 assessment.

Note 3: The 1999 tax levy included \$5,500 in a special assessment for code violations that has no corresponding 1999 assessment.

Note 4: therefore, a sales ratio adjustment was made by the State of Tennessee. The last reappraisal of property in Sullivan County was in tax year 1997. The tax levy inside Sullivan County is \$21,917,024 and inside Hawkins County is \$898,848. The 2000 property tax levy included \$11,806 in a special assessment for code violations that has no corresponding 2000 assessment.

Note 5: The 2001 tax levy included \$6,970 in a special assessment for code violations that has no corresponding 2001 assessment.

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Kingsport	Sullivan County	Hawkins County
	Total Tax Rate per \$100 of Assessed Value	Total Tax Rate per \$100 of Assessed Value	Total Tax Rate per \$100 of Assessed Value
1993	2.35	4.24	3.20
1994	2.06	2.92	3.20
1995	2.21	2.86	3.20
1996	2.31	2.86	3.40
1997	2.51	2.86	2.97
1998	2.30	2.58	2.97
1999	2.39	2.58	3.00
2000	2.39	2.58	3.00
2001	2.39	2.63	3.00
2002	2.22	2.35	2.41

Source: City of Kingsport Finance Department

TABLE 8

**CITY OF KINGSPORT, TENNESSEE**  
**PROPERTY TAX RECEIVABLE**  
**June 30, 2002**

<u>YEAR OF TAX ROLL</u>	<u>PROPERTY TAX RECEIVABLE JUNE 30, 2001</u>	<u>TAX LEVY</u>	<u>LATE LISTINGS &amp; DISCOVERIES</u>	<u>RELEASES &amp; ABATEMENTS</u>	<u>COLLECTIONS</u>	<u>PROPERTY TAX RECEIVABLE JUNE 30, 2002</u>
1991	\$ 1,766	\$ -	\$ -	\$ (1,764) (1)	\$ (2)	\$ -
1992	2,151	-	-	(2,149) (1)	(2)	-
1993	393	-	-	(391) (1)	(2)	-
1994	10,460	-	-	-	(883)	9,577
1995	17,562	-	251 (2)	-	(1,741)	16,072
1996	23,343	-	272 (2)	-	(2,575)	21,040
1997	46,158	-	307 (2)	(5)	(17,486)	28,974
1998	76,196	-	7	(4)	(32,983)	43,216
1999	254,135	-	3,827	(3,820)	(141,457)	112,685
2000	703,107	-	31,457	(9,077)	(391,364)	334,123
2001	<u>-</u>	<u>23,785,866</u>	<u>174,435</u> *	<u>(49,131)</u> **	<u>(23,042,569)</u>	<u>868,601</u>
TOTAL ALL YEARS	<u>\$ 1,135,271</u>	<u>\$ 23,785,866</u>	<u>\$ 210,556</u> (2)	<u>\$ (66,341)</u> (1)	<u>\$ (23,631,064)</u>	<u>\$ 1,434,288</u>
2001 TOTAL LEVY						
		\$ 23,785,866	Note: (1) Includes write-off's of \$4,304. (2) Includes recovery of bad debts of \$830.			
		174,435 *				
		<u>(49,131)</u> **				
		<u>\$ 23,911,170</u>				

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE  
SPECIAL ASSESSMENT COLLECTIONS  
LAST TEN FISCAL YEARS**

**Table 9**

Fiscal Year Ending June 30	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Amount Due	Outstanding Current & Delinquent Assessments	Outstanding Unmatured Assessments	Total Outstanding Assessments
1992	\$ 10,954	4,526	41%	90,183	9,660	99,843
1993	4,211	2,692	64%	83,702	4,971	88,673
1994	3,914	1,138	29%	80,899	1,057	81,956
1995	352	-	0%	76,772	705	77,477
1996	5,384	5,384	100%	74,188	20,423	94,611
1997	5,032	5,032	100%	71,378	-	71,378
1998	168	168	100%	69,083	-	69,083
1999	-	-	0%	68,693	-	68,693
2000	-	-	0%	68,693	-	68,693
2001	-	-	0%	68,693	-	68,693
2002	-	-	0%	68,342	-	68,342

(1) Total assessment receivable is \$105,041 which includes \$36,699 interest on delinquent accounts. These totals had not previously been included but during automation of assessment billings interest was calculated into one total receivable. No additional interest has been accrued since June 30, 1997 due to the age of these receivables.

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE**  
**TOP TEN TAXPAYERS**  
**June 30, 2001**

**Table 10**

Taxpayer	Type of Business	Assessed Valuation For Tax Year 2001	Taxes Levied
Eastman Chemical Company	Manufacturer of Chemicals, Fibers, and Plastics	\$ 289,111,897	\$ 6,418,284
Willamette	Paper Manufacturer	26,050,629	578,324
United Inter-Mountain Telephone	Public Utility	14,148,861	314,105
Fort Henry Mall	Retail Merchants	13,044,343	289,584
Quebecor	Book Manufacturer	12,192,626	270,676
Kingsport Power Company	Public Utility	10,867,280	241,254
Mountain State Health	Hospital	7,839,120	174,028
Wal Mart Stores, Inc.	Retail Merchant	5,397,452	119,823
Holston Valley Health Care	Medical	5,396,546	119,803
AFG Industries, Inc.	Glass Manufacturer	4,037,291	89,628
		<u>\$ 388,086,045</u>	<u>\$ 8,615,509</u>

Source: City of Kingsport Finance Department

CITY OF KINGSPORT, TENNESSEE  
STATEMENT OF LEGAL DEBT MARGIN  
June 30, 2002

TABLE 11

Assessed Value - Tax Year, 2001	<u>\$1,076,763,610</u>
Debt Limit - 20% of Assessed Value	215,352,722
Outstanding Bonded Indebtedness (Excluding general obligation payable from the revenues of the Water and Sewer Funds)	<u>65,906,110</u>
Legal Debt Margin - June 30, 2002	<u><u>\$149,446,612</u></u>

Limitation on Borrowing Power

City Charter - Article XIII, Section 5. "The total bonded indebtedness of the City shall exceed twenty per centum (20%) of the assessed value of the taxable property of the City according to the last complete assessment." Revenue Bonds and Special Assessment Bonds are excluded in computing the debt limit.

Bond Rating:	"Moody's"	A-1
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CITY OF KINGSFORT, TENNESSEE  
 RATIO OF NET GENERAL BONDED DEBT  
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
 FISCAL YEARS 1993 THROUGH 2002

TABLE 12

<u>Ending June 30</u>	<u>Population(1)</u>	<u>Assessed Value</u>	<u>Year of Tax Roll</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt To Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1993	40,141	\$ 643,634,045	1992	68,928,170	10.71	1,717
1994	40,284	776,823,467	1993	76,482,715	9.85	1,899
1995	40,284	788,645,530	1994	82,066,120	10.41	2,037
1996	41,213	777,992,126	1995	84,028,615	10.80	2,039
1997	41,338	799,156,266	1996	89,704,625	11.22	2,170
1998	41,414	933,443,739	1997	79,364,035	8.50	1,916
1999	41,414	957,520,326	1998	65,890,605	6.88	1,591
2000	41,483	942,139,489	1999	76,459,605	8.12	1,843
2001	44,905	951,076,563	2000	70,721,440	7.44	1,575
2002	44,905	1,076,763,610	2001	65,906,110	6.12	1,468

1. For fiscal years 1993, 1994, 1995, 1996, 1997, 1998 and 2000 the population figures used are obtained by special census as certified by the State of Tennessee.
2. A Debt Service Fund is maintained for the purpose of accounting for the payment of interest and principal on long-term debt other than those serviced by the enterprise funds. A lump sum appropriation is transferred from the General Fund to the Debt Service Fund annually to meet the current debt service obligation.

CITY OF KINGSPORT, TENNESSEE  
 RATIO OF ANNUAL DEBT SERVICE REQUIREMENT FOR  
 GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
 FISCAL YEARS 1993 THROUGH 2002

TABLE 13

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service To General Expenditures (Per Cent)
1993 (1)	2,123,974	3,303,395	5,427,369	80,791,777	6.72%
1994	2,670,435	3,766,870	6,437,305	75,649,633	8.51%
1995	3,790,990	3,192,419	6,983,409	79,952,981	8.73%
1996	4,984,505	4,591,987	9,576,492	90,941,430	10.53%
1997	5,217,615	4,314,755	9,532,370	96,629,755	9.86%
1998	5,724,590	4,025,465	9,750,055	83,823,714	11.63%
1999	4,663,430	3,338,173	8,001,603	109,426,471	7.31%
2000	5,219,333	3,133,338	8,352,671	86,771,198	9.63%
2001	6,080,972	2,923,767	9,004,739	99,235,322	9.07%
2002	6,627,888	2,760,539	9,388,427	91,736,651	10.23%

(1) Principal payments are reported net of the effects of refinancing.

CITY OF KINGSFORT, TENNESSEE  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2002

TABLE 14

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to this Governmental Unit</u>	<u>City of Kingsport's Share of debt</u>
City of Kingsport	<u>\$65,906,110 *</u>	<u>100.00%</u>	<u>\$65,906,110</u>
Total Direct Debt	<u>65,906,110</u>	<u>100.00%</u>	<u>65,906,110</u>
Sullivan County	23,875,000	35.02%	8,361,025
Hawkins County	<u>15,140,000</u>	<u>7.54%</u>	<u>1,141,556</u>
Total Overlapping	<u>39,015,000</u>	<u>42.56%</u>	<u>9,502,581</u>
Total Direct and Overlapping Debt	<u><u>\$104,921,110</u></u>		<u><u>\$75,408,691</u></u>

\* Includes Conference Center General Obligation Bonded Debt

**CITY OF KINGSFORT, TENNESSEE**  
**COMBINED SCHEDULE OF UTILITY FUND REVENUE BOND COVERAGE**  
**FISCAL YEARS 1993 THROUGH 2002**

**TABLE 15**

Fiscal Year Ending June 30	Gross Revenue	(2) Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1993 (1)	13,784,399	6,912,242	6,872,157	3,541,026	3,176,797	6,717,823	1.02
1994	14,764,665	6,923,326	7,841,339	3,834,565	2,264,733	6,099,298	1.29
1995	15,308,237	7,063,705	8,244,532	4,359,010	2,538,841	6,897,851	1.20
1996	16,801,193	7,361,591	9,439,602	4,427,495	2,464,480	6,891,975	1.37
1997	17,007,328	7,724,347	9,282,981	4,544,385	2,245,436	6,789,821	1.37
1998	17,264,393	8,104,943	9,159,450	4,791,410	2,253,360	7,044,770	1.30
1999	18,204,210	8,759,310	9,444,900	4,800,570	2,037,526	6,838,096	1.38
2000	18,162,430	8,832,376	9,330,054	5,068,000	2,407,168	7,475,168	1.25
2001	19,500,084	9,802,646	9,697,438	5,995,835	2,867,449	8,863,284	1.09
2002	20,506,422	9,674,056	10,832,366	5,754,261	1,953,770	7,708,031	1.41

(1) Principal payments are reported net of the effect of refinancing.

(2) Total operation expenses exclusive of depreciation.

CITY OF KINGSPORT, TENNESSEE  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS

<u>Fiscal Year Ending June 30</u>	<u>(1) Population</u>	<u>(1) (3) Per Capita Income</u>	<u>(1) Median Age</u>	<u>(2) School Enrollment</u>	<u>(1) Unemployment Rate</u>
1993	40,141	18,289	*	5,977	4.40%
1994	41,053	18,913	*	6,009	4.20%
1995	42,200	20,507	41.4	6,021	4.20%
1996	41,213	21,610	*	6,061	3.90%
1997	41,338	22,133	*	6,106	4.00%
1998	41,414	23,368	38.5	6,286	4.10%
1999	41,454	23,227	*	6,322	4.20%
2000	42,404	24,451	39.4	6,341	3.83%
2001	44,000	26,988	*	6,316	4.30%
2002	44,905	*	39.7	6,372	5.60%

DATA SOURCES:

(1) Kingsport Chamber of Commerce/Economic Development

(2) School Administration

(3) US Bureau of Economics Analysis

\*NOT AVAILABLE

CITY OF KINGSPORT, TENNESSEE  
PROPERTY VALUE AND CONSTRUCTION  
LAST TEN FISCAL YEARS

Fiscal Year	Property Value (1)				Commercial Construction (2)		Residential Construction (2)	
	Commercial	Residential	Other	Total	Units	Estimated Value	Units	Estimated Value
1993	601,054,353	649,989,544	6,978,228	1,258,022,125	17	9,196,841	274	16,827,917
1994	628,796,073	879,226,804	11,547,500	1,519,570,377	23	16,624,000	268	21,576,985
1995	608,723,903	912,585,020	13,766,000	1,535,074,923	26	28,782,521	241	20,471,011
1996	627,238,185	965,177,748	9,674,100	1,602,090,033	35	12,354,341	272	27,757,175
1997	647,954,480	1,010,077,228	9,454,312	1,667,486,020	45	32,737,631	244	24,369,738
1998	704,740,725	1,230,980,324	11,505,564	1,947,226,613	27	21,360,833	211	19,500,462
1999	726,810,835	1,270,248,668	12,352,300	2,009,411,803	29	15,841,164	256	21,032,604
2000	726,815,723	1,301,870,660	12,699,000	2,041,385,383	28	14,444,783	212	14,898,924
2001	747,105,465	1,330,491,424	12,616,400	2,090,213,289	25	33,020,406	285	15,629,675
2002	873,824,508	1,502,492,716	14,679,700	2,390,996,924	34	55,388,852	450	36,226,422

(1) Estimated Actual Value from Table 6

(2) Source: City of Kingsport Building Department

CITY OF KINGSPORT, TENNESSEE  
MISCELLANEOUS STATISTICAL DATA  
June 30, 2002

Date of Incorporation	March 2, 1917
Date Charter Adopted	March 2, 1917
Form of Government	Council-Manager
Number of employees authorized (excluding police and fire):	
Unclassified	16
Non-Exempt	372
Exempt	65
Part-Time	84
Total Employees	537

Area - Square Miles:	1920	4.578 square miles
	1930	4.578 square miles
	1940	4.613 square miles
	1950	5.501 square miles
	1960	6.654 square miles
	1970	17.721 square miles
	1980	24.125 square miles
	1990	35.270 square miles
	1991	36.860 square miles
	1992	38.520 square miles
	1993	43.090 square miles
	1994*	39.430 square miles
	1995	41.120 square miles
	1996	41.120 square miles
	1997	43.470 square miles
	1998	43.770 square miles
	1999	43.960 square miles
	2000	43.960 square miles
	2001	43,960 square miles

\* The change in the reported area of the City between 1993 and 1994 is due to the utilization of the more accurate mapping capabilities of the newly installed Geographic Information System.

City of Kingsport facilities and services:		
Miles of Streets and Alleys:	Streets - Asphalt	393.11 miles
	Sidewalks - Concrete	147.04 miles
	Interstate Highway	21.50 miles
	Number of Street lights	8300

CITY OF KINGSPORT, TENNESSEE  
MISCELLANEOUS STATISTICAL DATA  
June 30, 2002

FIRE PROTECTION

Number of Stations	6
Number of Employees	95

Vehicles:

Antique Pumpers (1917)	1
Cars - Fire prevention (Inspection, Chief)	6
Service Truck	1
Pumpers	7
Tele-squirt Pumper	3
100 ft. Ladder Truck	1
90 ft. Platform Truck	1
Tanker	1
Hazardous Material Unit	1
Suburban Van - Deputy Chief	1
Tactical Rescue Unit	1

Operating Statistics:

January 1, 2001 thru December 31, 2001	
Alarms Answered	5,097
Gallons of Water Used	113,394
Fire Loss	\$948,160
Training Hours	22,320
Building Inspections	4,028
Hazards Found	18,373

POLICE PROTECTION

Number of Employees	
Officers	99
Other Employees	56
Total	155

Vehicles:

Parking Enforcement (3 wheel)	1
Special Event (Golf Cart)	1
Cars	92
Trucks	18
Motorcycle	1
Bomb Trailer	4
Total	117

Operating Statistics:

January 1, 2001 thru December 31, 2001	
*Part I Crimes Investigated	2,930
Complaints Responded to	41,335
Auto Accidents Investigated	3,332
Citations Issued	20,790
Training Hours	14,801
Arrests	3,811
Traffic Violations	13,775
Parking Violations	5,402

\*Part I Crimes are serious crimes (those not classified as misdemeanors).

CITY OF KINGSPORT, TENNESSEE  
MISCELLANEOUS STATISTICAL DATA  
June 30, 2002

CULTURE AND RECREATION:

Community Centers/Civic Facilities	5
Number of Parks	19
Park Acreage	250
Number of Swimming Pools	2
Number of Tennis Courts	8
Number of Playgrounds	8

Other Recreational Facilities:

Bays Mountain Park - 2988 Acre Nature Center  
Hunter Wright Baseball Stadium -50 Acres

EDUCATION

Number of Schools	
High Schools	1
Middle Schools	2
Elementary Schools	7
Number of Administrative Personnel	33
Number of Clerical Personnel	49
Number of Teachers	453.0
Number of Teachers Educational Assistants	133
Average Daily Attendance	6,012
Average Daily Membership	6,372

SEWER FUND

Number of service connections	30,000
Miles of sanitary sewers	368.69
Miles of storm sewers	76.33
Number of treatment plants	1
Daily average treatment in gallons	8,700,000
Maximum daily capacity of treatment plant in gallons	12,400,000

WATER FUND

Number of Locations Served	35,378
Miles of Water Lines	750
Number of Fire Hydrants	1,863
Gallons of Water Pumped - Fiscal Year 2002	5,745,929,200
Gallons of Water Consumed - Fiscal year 2002	3,800,859,800
Line Losses and Gallons Unaccounted For	1,139,241,900
Percentage Lost or Unaccounted for	19.5%
Daily average consumption in gallons	10,413,315
Maximum daily capacity of plant in gallons	28,000,000

CITY OF KINGSPORT, TENNESSEE  
MISCELLANEOUS STATISTICAL DATA  
June 30, 2002

SERVICE FEES AND USAGE RATES FOR WATER SERVICE

Tapping Fees for Water Services:

Developer Installed Water Lines

Size of Connection	Meter	Meter
	Inside City	Outside City
5/8 inch	\$275.00	\$385.00
1 inch	330.00	525.00
1 1/2 inch	685.00	1,050.00
2 inch	815.00	1,100.00
3 inch	3,700.00	4,900.00
4 inch	4,000.00	5,100.00
6 inch	5,400.00	6,900.00
8 inch	7,600.00	8,700.00
10 inch	11,700.00	12,100.00

Non-Developer Installed Water Lines

Size of Connection	Meter	Meter
	Inside City	Outside City
5/8 inch	\$635.00	\$1,100.00
1 inch	865.00	1,370.00
1 1/2 inch	1,035.00	1,670.00
2 inch	1,240.00	2,030.00
3 inch	2,900.00	4,500.00
4 inch	3,600.00	5,400.00
6 inch	6,100.00	9,000.00
8 inch	7,600.00	8,700.00
10 inch	11,700.00	12,100.00

Water usage rates:

1. Minimum Monthly charges

Size of Meter	Gallons	Meter
		Inside City
5/8 inch	2,000	\$4.96
1 inch	4,000	8.96
1 1/2 inch	8,000	16.96
2 inch	14,000	28.96
3 inch	44,000	75.62
4 inch	111,000	148.91
6 inch	271,000	316.91
8 inch	388,000	439.76
10 inch	676,000	742.16
12 inch	1,200,000	1,292.36

CITY OF KINGSPORT, TENNESSEE  
MISCELLANEOUS STATISTICAL DATA  
June 30, 2002

Size of Meter	Gallons	Meter Outside City
5/8 inch	1,000	\$10.00
1 inch	4,000	23.02
1 1/2 inch	8,000	40.38
2 inch	14,000	64.78
3 inch	44,000	175.72
4 inch	111,000	405.95
6 inch	271,000	868.96
8 inch	388,000	1,196.56
10 inch	676,000	2,002.96
12 inch	1,200,000	3,470.16

2. Usage rates:

Gallons	Rate per 1,000 Inside City
First 2,000	\$2.48
Next 13,000	2.00
Next 35,000	1.54
Over 50,000	1.05

Gallons	Rate per 1,000 Outside City
First 1,000	\$10.00
Next 9,000	4.34
Next 10,000	3.93
Next 70,000	3.64
Next 100,000	2.99
All Over 190,000	2.80

3. Non-Payment \$20.00

Fire Service Connections

Unmetered private fire service connections

Size of connection furnished by City	Monthly Charge Inside City	Monthly Charge Outside City
4 inch	\$15.00	\$31.00
6 inch	20.00	42.00
8 inch	30.00	62.00
10 inch	40.00	82.00
12 inch	60.00	142.00

CITY OF KINGSPORT, TENNESSEE  
MISCELLANEOUS STATISTICAL DATA  
June 30, 2002

Sewers and Sewage disposal rates

Tap-on fees:

1. Residences, row houses - Existing and new const:		
Inside	1,950.00	*
Outside	2,250.00	
2. Additional existing units:		
1. On the same tap	200.00	
2. Additional Tap Inside	1,950.00	*
3. Additional Tap Outside	2,250.00	
3. New residences located in subdivisions, PRD's, multi-family projects approved by the Kingsport Regional Planning Commission in which sewers, mains and laterals have been installed by developers)	\$500 tap on fee per lot when connected to sewer.	
4. Car Wash		
1. Inside	1,950.00	**
2. Outside	2,250.00	
Each additional bay	500.00	

\* Upon minimum payment of \$500.00 at the time of construction, the balance of \$1,450.00 payable in equal monthly installments over a ten (10) year period with interest. The interest rate to be charged will be established by the Board of Mayor and Aldermen.

\*\* Upon minimum payment of twenty-five (25%) percent of the total tap at the time of connection, the remaining balance to be paid in equal monthly installments over a five (5) year period with interest. The interest rate to be charged will be established by the Board of Mayor and Aldermen.

Sewers and Sewage disposal rates

5. Multi-family complexes - Existing and New const.		
1st Unit	1,950.00	**
Each additional unit	200.00	
6. Hotels, Motels, Hospitals, Nursing homes, Retirement centers, Mobile home parks.		
1. Inside	1,950.00	**
2. Outside	2,250.00	
Each additional rental unit/room	200.00	

CITY OF KINGSPORT, TENNESSEE  
MISCELLANEOUS STATISTICAL DATA  
June 30, 2002

7. Large and Small Commerical Users, Factories, and shopping centers

1st 10,000 sq ft	
1. Inside	1,950.00 **
2. Outside	2,250.00
Each additional 10,000 sq ft	300.00

\* Upon minimum payment of \$500.00 at the time of construction, the balance of \$1,450.00 payable in equal monthly installments over a ten (10) year period with interest. The interest rate to be charged will be established by the Board of Mayor and Aldermen.

\*\* Upon minimum payment of twenty-five (25%) percent of the total tap at the time of connection, the remaining balance to be paid in equal monthly installments over a five (5) year period with interest. The interest rate to be charged will be established by the Board of Mayor and Aldermen.

Section 2. That the following schedule of lateral fees is hereby adopted and approved as follows:

1. Lateral fee	\$500.00
2. Lateral Construction fee	\$500.00
3. Sewer connection fee	\$500.00

Monthly sewer service charges

	Inside the City	Outside the City
Class I sewerage:		
Domestic sewerage per 1,000 gallons per month	\$4.60	\$5.38
Minimum charge	\$9.20	\$10.76
Class II sewerage surcharge fees:		
BOD per lb	0.204	0.204
TSS per lb	0.102	0.102

Effective May 1, 1988, the maximum monthly bill per residential customer shall be based upon the average water consumption of each metered residential customer during the five billing periods from December thru April of each year. The average monthly base usage shall be rounded to the next highest 1,000 gallons. The individual residential sewer rate cap shall be established by adding 3,000 gallons to the average monthly base usage level for each metered residential customer.

Each metered residential customer shall only be charged for monthly sewer usage up to the individual residential sewer rate cap. Any water consumption over and above the individual residential sewer rate cap shall not result in a charge for monthly sewer usage.

An individual residential sewer rate cap of 8,000 gallons per month shall be established for all new metered residential customers until an average monthly usage level for water consumption is calculated.

CITY OF KINGSPORT, TENNESSEE  
MISCELLANEOUS STATISTICAL DATA  
June 30, 2002

Facilities and services not included in the reporting entity:

Cable Television System:

Miles of service	961
Number of satellite receiving stations	1

Hospitals:

Number of hospitals	2
Number of patient beds	840

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
GENERAL OBLIGATION BONDS									
1993 Public Improvement Refunding	5.00%	8/1, 2/1	4/1/93	8/1/04	2,262,225 (03)	21,688,170	21,688,170	15,782,060	5,906,110
	5.00%				1,936,270 (04)				
	5.125%				1,707,615 (05)				
1993 Public Improvement	4.40%	4/1, 10/1	10/1/93	4/1/08	765,000 (03)	10,225,000	10,225,000	5,040,000	5,185,000
	4.50%				805,000 (04)				
	4.55%				840,000 (05)				
	4.65%				880,000 (06)				
	4.80%				925,000 (07)				
	4.85%				970,000 (08)				

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
1997 Public Improvement	5.00%	1/1, 7/1	2/1/97	1/1/12	985,000 (03)	13,450,000	13,450,000	1,000,000	12,450,000
	5.00%				1,035,000 (04)				
	5.00%				1,085,000 (05)				
	5.00%				1,140,000 (06)				
	5.00%				1,195,000 (07)				
	4.90%				1,260,000 (08)				
	5.00%				1,325,000 (09)				
	5.10%				1,395,000 (10)				
	5.15%				1,475,000 (11)				
	5.20%				1,555,000 (12)				
1998 Taxable Industrial Park	5.53%	3/1, 9/1	11/1/98	9/1/04	290,000 (03)	1,635,000	1,635,000	720,000	915,000
	5.48%				300,000 (04)				
	5.68%				325,000 (05)				
1998 Public Improvement Refunding	4.00%	3/1, 9/1	11/1/98	9/1/07	165,000 (03)	14,700,000	14,700,000	370,000	14,330,000
	4.00%				545,000 (04)				
	4.50%				3,420,000 (05)				
	4.50%				5,725,000 (06)				
	5.00%				2,810,000 (07)				
	5.00%				1,665,000 (08)				

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
1999 Public Improvement Refunding (Mar)	4.00%	3/1, 9/1	4/1/99	3/1/04	2,245,000 (03)	9,560,000	9,560,000	4,895,000	4,665,000
	4.00%				2,420,000 (04)				
1999 Public Improvement (Mar)	4.00%	3/1, 9/1	4/1/99	3/1/14	350,000 (03)	5,975,000	5,975,000	660,000	5,315,000
	4.00%				365,000 (04)				
	4.00%				380,000 (05)				
	4.00%				395,000 (06)				
	4.125%				410,000 (07)				
	4.125%				430,000 (08)				
	4.25%				445,000 (09)				
	4.375%				465,000 (10)				
	4.50%				485,000 (11)				
	4.50%				505,000 (12)				
	4.65%				530,000 (13)				
	4.375%				555,000 (14)				

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
1999 Public Improvement (Oct)	4.75%	3/1, 9/1	4/1/99	3/1/15	100,000 (03)	2,035,000	2,035,000	200,000	1,835,000
	4.75%				110,000 (04)				
	4.60%				115,000 (05)				
	4.70%				120,000 (06)				
	4.80%				125,000 (07)				
	4.90%				130,000 (08)				
	5.00%				135,000 (09)				
	5.10%				145,000 (10)				
	5.125%				150,000 (11)				
	5.25%				160,000 (12)				
	5.375%				170,000 (13)				
	5.375%				175,000 (14)				
	5.50%				200,000 (15)				
2000 Public Improvement	4.45%	3/1, 9/1	11/21/00	3/1/15	90,000 (03)	1,630,000	1,630,000	85,000	1,545,000
	4.50%				95,000 (04)				
	4.60%				95,000 (05)				
	4.65%				100,000 (06)				
	4.70%				105,000 (07)				
	4.75%				110,000 (08)				
	4.80%				115,000 (09)				
	4.85%				125,000 (10)				
	4.90%				130,000 (11)				
	4.95%				135,000 (12)				
	5.05%				140,000 (13)				
	5.10%				150,000 (14)				
	5.10%				155,000 (15)				

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
2001 Public Improvement	2.50%	3/1, 9/1	11/21/00	3/1/16	150,000 (03)	2,620,000	2,620,000	0	2,620,000
	3.00%				150,000 (04)				
	3.75%				155,000 (05)				
	3.75%				160,000 (06)				
	4.00%				175,000 (07)				
	4.00%				175,000 (08)				
	4.00%				180,000 (09)				
	4.00%				185,000 (10)				
	3.90%				195,000 (11)				
	4.00%				200,000 (12)				
	4.05%				210,000 (13)				
	4.15%				220,000 (14)				
	4.25%				225,000 (15)				
	4.35%				240,000 (16)				
TOTAL GENERAL OBLIGATION BONDS						<u>\$83,518,170</u>	<u>\$83,518,170</u>	<u>\$28,752,060</u>	<u>\$54,766,110</u>

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
REVENUE BONDS									
1965 Waterworks	4.75, 5%	11/1, 5/1	5/1/75	5/1/04	15,000 (02-04)	275,000	275,000	245,000	30,000
1978 Waterworks	5%	1/1, 7/1	4/6/78	12/31/16	15,000 (02-08) 20,000 (09-13) 25,000 (14-15) 30,000 (16)	450,000	450,000	180,000	270,000
1990 Water System Improvement Refunding	6.85%	4/1, 10/1	7/1/90	4/1/03	245,000 (03)	2,690,000	2,690,000	2,445,000	245,000
1990 Sewer System Improvement Refunding	6.85%	4/1, 10/1	7/1/90	4/1/03	535,000 (03)	5,915,000	5,915,000	5,380,000	535,000
1991 Water System Improvement	5.90%	4/1, 10/1	10/1/91	10/1/02	255,000 (03)	3,305,000	3,305,000	3,050,000	255,000

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
1991 Sewer System Improvement	5.90%	4/1, 10/1	10/1/91	10/1/02	165,000 (03)	2,105,000	2,105,000	1,940,000	165,000
1992 Convention Center	5.50%	3/1,9/1	9/1/92	9/1/07	1,555,000 (03)	19,540,000	19,540,000	17,985,000	1,555,000
1992 Sewer System Improvement	5.50% 5.60%	3/1,9/1	9/1/92	9/1/03	350,000 (03) 370,000 (04)	4,800,000	4,800,000	4,080,000	720,000

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
1993 Water System Improvement Refunding	5.00%	8/1, 2/1	4/1/93	8/1/04	837,775 (03)	8,271,830	8,271,830	5,847,940	2,423,890
	5.00%				873,730 (04)				
	5.125%				712,385 (05)				
1993 Sewer System Improvement Refunding	5.00%	8/1, 2/1	4/1/93	8/1/04	1,055,000 (03)	10,250,000	10,250,000	7,415,000	2,835,000
	5.00%				1,115,000 (04)				
	5.125%				665,000 (05)				
1994 Golf Course-TMBF	Variable	Monthly	5/22/95	5/25/11	306,000 (03)	4,750,000	4,750,000	1,306,500	3,443,500
					322,500 (04)				
					340,500 (05)				
					359,500 (06)				
					379,000 (07)				
					400,000 (08)				
					421,500 (09)				
					445,000 (10)				
					469,500 (11)				

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
1994 Water System Improvement	5.90%	12/1, 6/1	12/1/94	12/1/03	320,000 (03)	1,710,000	1,710,000	1,050,000	660,000
	6.00%				340,000 (04)				
1994 Sewer System Improvement	5.90%	12/1, 6/1	12/1/94	12/1/03	565,000 (03)	4,225,000	4,225,000	3,060,000	1,165,000
	6.00%				600,000 (04)				
1997 Water System Improvement	5.00%	1/1, 7/1	2/1/97	1/1/12	105,000 (03)	1,710,000	1,710,000	385,000	1,325,000
	5.00%				110,000 (04)				
	5.00%				115,000 (05)				
	5.00%				120,000 (06)				
	5.00%				130,000 (07)				
	4.90%				135,000 (08)				
	5.00%				140,000 (09)				
	5.10%				150,000 (10)				
	5.15%				155,000 (11)				
	5.20%				165,000 (12)				

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
1997 Sewer System Improvement	5.00%	1/1, 7/1	2/1/97	1/1/12	235,000 (03)	3,815,000	3,815,000	845,000	2,970,000
	5.00%				245,000 (04)				
	5.00%				260,000 (05)				
	5.00%				270,000 (06)				
	5.00%				285,000 (07)				
	4.90%				300,000 (08)				
	5.00%				315,000 (09)				
	5.10%				335,000 (10)				
	5.15%				355,000 (11)				
	5.20%				370,000 (12)				
1998 Golf Course - TMBF	Variable	Monthly	5/25/98	5/25/17	65,000 (03)	1,450,000	1,450,000	0	1,450,000
					68,000 (04)				
					72,000 (05)				
					76,000 (06)				
					80,000 (07)				
					85,000 (08)				
					89,000 (09)				
					94,000 (10)				
					99,000 (11)				
					105,000 (12)				
					110,000 (13)				
					117,000 (14)				
					123,000 (15)				
					130,000 (16)				
					137,000 (17)				

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
1998 Water System Improvement Refunding	4.00%	3/1, 9/1	11/1/98	9/1/06	35,000 (03)	2,145,000	2,145,000	90,000	2,055,000
	4.00%				310,000 (04)				
	4.00%				675,000 (05)				
	4.125%				705,000 (06)				
	4.125%				330,000 (07)				
1998 Sewer System Improvement Refunding	4.00%	3/1, 9/1	11/1/98	9/1/07	60,000 (03)	4,880,000	4,880,000	145,000	4,735,000
	4.00%				235,000 (04)				
	5.00%				1,265,000 (05)				
	4.125%				1,325,000 (06)				
	4.50%				1,385,000 (07)				
	4.20%				465,000 (08)				
1999 Water System Improvement (Mar)	4.00%	3/1, 9/1	4/1/99	3/1/14	165,000 (03)	2,820,000	2,820,000	315,000	2,505,000
	4.00%				170,000 (04)				
	4.00%				180,000 (05)				
	4.00%				185,000 (06)				
	4.125%				195,000 (07)				
	4.125%				200,000 (08)				
	4.25%				210,000 (09)				
	4.375%				220,000 (10)				
	4.50%				230,000 (11)				
	4.50%				240,000 (12)				
	4.65%				250,000 (13)				
	4.375%				260,000 (14)				

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
1999 Sewer System Improvement (Mar)	4.00%	3/1, 9/1	4/1/99	3/1/14	185,000 (03)	3,155,000	3,155,000	350,000	2,805,000
	4.00%				195,000 (04)				
	4.00%				200,000 (05)				
	4.00%				210,000 (06)				
	4.125%				215,000 (07)				
	4.125%				225,000 (08)				
	4.25%				235,000 (09)				
	4.375%				245,000 (10)				
	4.50%				255,000 (11)				
	4.50%				265,000 (12)				
	4.65%				280,000 (13)				
	4.375%				295,000 (14)				
1999 Water System Improvement (Oct)	4.75%	3/1, 9/1	4/1/99	3/1/15	315,000 (03)	6,120,000	6,120,000	595,000	5,525,000
	4.75%				330,000 (04)				
	4.60%				345,000 (05)				
	4.70%				360,000 (06)				
	4.80%				375,000 (07)				
	4.90%				395,000 (08)				
	5.00%				415,000 (09)				
	5.10%				435,000 (10)				
	5.125%				460,000 (11)				
	5.25%				485,000 (12)				
	5.375%				510,000 (13)				
	5.375%				535,000 (14)				
	5.50%				565,000 (15)				

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
1999 Sewer System Improvement (Oct)	4.75%	3/1, 9/1	4/1/99	3/1/15	530,000 (03)	10,245,000	10,245,000	990,000	9,255,000
	4.75%				550,000 (04)				
	4.60%				575,000 (05)				
	4.70%				605,000 (06)				
	4.80%				635,000 (07)				
	4.90%				665,000 (08)				
	5.00%				695,000 (09)				
	5.10%				730,000 (10)				
	5.125%				770,000 (11)				
	5.25%				810,000 (12)				
	5.375%				850,000 (13)				
	5.375%				895,000 (14)				
	5.50%				945,000 (15)				
2000 Sewer System Improvement	4.45%	3/1, 9/1	11/21/00	3/1/15	35,000 (03)	635,000	635,000	35,000	600,000
	4.50%				35,000 (04)				
	4.60%				40,000 (05)				
	4.65%				40,000 (06)				
	4.70%				40,000 (07)				
	4.75%				45,000 (08)				
	4.80%				45,000 (09)				
	4.85%				45,000 (10)				
	4.90%				50,000 (11)				
	4.95%				50,000 (12)				
	5.05%				55,000 (13)				
	5.10%				60,000 (14)				
	5.10%				60,000 (15)				

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
2001 Water System Improvement	2.50%	3/1, 9/1	11/21/00	3/1/16	125,000 (03)	2,140,000	2,140,000	0	2,140,000
	3.00%				125,000 (04)				
	3.75%				130,000 (05)				
	3.75%				130,000 (06)				
	4.00%				140,000 (07)				
	4.00%				140,000 (08)				
	4.00%				145,000 (09)				
	4.00%				150,000 (10)				
	3.90%				160,000 (11)				
	4.00%				165,000 (12)				
	4.05%				170,000 (13)				
	4.15%				180,000 (14)				
	4.25%				185,000 (15)				
	4.35%				195,000 (16)				
2001 Sewer System Improvement	2.50%	3/1, 9/1	11/21/00	3/1/16	160,000 (03)	2,790,000	2,790,000	0	2,790,000
	3.00%				160,000 (04)				
	3.75%				165,000 (05)				
	3.75%				170,000 (06)				
	4.00%				185,000 (07)				
	4.00%				185,000 (08)				
	4.00%				190,000 (09)				
	4.00%				200,000 (10)				
	3.90%				205,000 (11)				
	4.00%				215,000 (12)				
	4.05%				220,000 (13)				
	4.15%				230,000 (14)				
	4.25%				240,000 (15)				
	4.35%				265,000 (16)				

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE**  
**JUNE 30, 2002**

	Interest Rate	Interest Payable Dates	Issue Date	Annual Maturity Date	Annual Serial Payments	Bonds			
						Authorized	Issued	Retired	Outstanding
2002 Convention Center Refunding	3.50%	3/1, 9/1	4/1/02	9/1/07	145,000	9,850,000	9,585,000	0	9,585,000
	3.50%				1,750,000				
	3.50%				1,810,000				
	4.00%				1,880,000				
	4.00%				1,955,000				
	5.00%				2,045,000				
TOTAL REVENUE BONDS						<u>\$120,041,830</u>	<u>\$119,776,830</u>	<u>\$57,734,440</u>	<u>\$62,042,390</u>

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF BONDS PAYABLE - FUTURE REQUIREMENTS**  
**JUNE 30, 2002**

REVENUE AND GENERAL OBLIGATION BONDS									
Fiscal Year	General Obligation Bonds Public Improvement Industrial Park		City of Kingsport South and East Kingsport and Tri-county Water Bonds		Sewage Disposal Bonds		Meadowview Convention Center Bonds and Cattails Golf Course Bonds		Combined Bonds and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2003	7,402,225	2,495,865	2,432,775	789,812	3,875,000	1,327,494	2,071,000	623,640	21,017,811
2004	7,761,270	2,161,248	2,288,730	664,620	3,505,000	1,121,027	2,140,500	561,925	20,204,320
2005	8,122,615	1,750,410	2,172,385	561,397	3,170,000	958,877	2,222,500	480,785	19,438,968
2006	8,520,000	1,368,517	1,515,000	480,656	2,620,000	827,405	2,315,500	391,600	18,038,678
2007	5,745,000	1,039,444	1,185,000	423,364	2,745,000	710,344	2,414,000	293,890	14,556,043
2008	4,740,000	788,572	885,000	377,664	1,885,000	606,538	2,530,000	181,515	11,994,289
2009	2,200,000	601,829	930,000	336,969	1,480,000	530,669	510,500	106,990	6,696,958
2010	2,315,000	497,197	975,000	293,494	1,555,000	460,422	539,000	82,350	6,717,463
2011	2,435,000	384,851	1,025,000	247,034	1,635,000	385,206	568,500	56,340	6,736,930
2012	2,555,000	265,400	1,075,000	197,886	1,710,000	305,540	105,000	28,880	6,242,706
2013	1,050,000	138,733	950,000	145,444	1,405,000	220,775	110,000	24,680	4,044,631
2014	1,100,000	89,375	1,000,000	98,396	1,480,000	150,380	117,000	20,280	4,055,431
2015	580,000	38,908	775,000	49,545	1,245,000	76,763	123,000	15,600	2,903,815
2016	240,000	10,440	225,000	9,233	265,000	11,528	130,000	10,680	901,880
2017	0	0	0	0	0	0	137,000	5,480	142,480
	<u>\$54,766,110</u>	<u>\$11,630,788</u>	<u>\$17,433,890</u>	<u>\$4,675,515</u>	<u>\$28,575,000</u>	<u>\$7,692,966</u>	<u>\$16,033,500</u>	<u>\$2,884,635</u>	<u>\$143,692,403</u>
							Principal	Interest	Total
General Obligation							\$54,766,110	\$11,630,788	\$66,396,898
Revenue and General Obligation							<u>62,042,390</u>	<u>15,253,115</u>	<u>77,295,505</u>
TOTAL							<u>\$116,808,500</u>	<u>\$26,883,903</u>	<u>\$143,692,403</u>

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE**  
**SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS**  
**For the Fiscal Year Ended June 30, 2002**

**Table 21**

NAME	TITLE	ANNUAL SALARY	AMOUNT OF SURETY BOND
A. Ray Griffin, Jr.	City Manager	\$ 102,900	5,000
J. Michael Bilingsley	City Attorney	91,520	-
James H. Demming	City Recorder/Chief Financial Officer	86,005	385,000
Keith E. Smith	City Treasurer	67,685	200,000
Nancy C. Vance	Director of Schools	97,850	-
Mark E. Addington	Chief of Police	81,010	-
Jeanette D. Blazier	Mayor	3,000	-
Larry Munsey	Vice-Mayor	2,400	-
Lon V. Boyd	Alderman	2,400	-
C. Ken Marsh, Jr.	Alderman	2,400	-
David Clark	Alderman	2,400	-
Nathan Vaughn	Alderman	2,400	-
Gary Mayes	Alderman	2,400	-

Source: City of Kingsport Finance Department

**CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2002**

<b>TYPE OF COVERAGE/NAME OF COMPANY/ POLICY NO./ANNUAL PREMIUM</b>	<b>POLICY FROM</b>	<b>POLICY TO</b>	<b>DETAILS OF COVERAGE</b>	<b>LIABILITY LIMITS</b>
Blanket on all real and personal property KINGSPORT DEVELOPMENT COMPANY Policy No. 20 MSP GT9013  Annual Premium: \$115,500	1/1/02	1/1/03	Location and values of covered properties: See schedule of locations and values of real and personal property covered by blanket ins.  Self-insured deductible (occurrence deductible): The insured shall bear the first \$100,000 of each loss per occurrence for properties over \$250,000 and said deductible shall not accrue toward the annual aggregate deductible  Coinsurance: 90% coinsurance	Buildings and contents: \$108,938,000  Annual aggregate: \$10,000,000 Earthquake \$10,000,000 Flood  Deductible: \$100,000 of each loss for properties over \$250,000 per occurrence \$50,000 of each loss for properties under \$250,000 per occurrence \$500 on the Fine Arts Coverage at Allandale
General liability coverage KINGSPORT DEVELOPMENT COMPANY Policy No. TML-21300  Annual Premium: \$53,349	7/1/01	7/1/02	General liability, Law Enforcement Liability and Personal Injury Liability: Covers all sums that an employee shall become legally obligated to pay as damages because of bodily injury or property damages caused by an occurrence.  Covers all sums that an employee shall become legally obligated to pay as damages because of personal injury sustained by any person or organization provided that such claims are first made against the employee.	Bodily injury or Personal injury: \$130,000 each person \$350,000 per occurrence  Property damage: \$50,000 each occurrence  Other Losses: \$1,000,000 per occurrence for each other loss  Maximum Deductible: \$445,000 aggregate each policy period for ALL damages  Liability Deductible: None

**CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2002**

<b>TYPE OF COVERAGE/NAME OF COMPANY/ POLICY NO./ANNUAL PREMIUM</b>	<b>POLICY FROM</b>	<b>POLICY TO</b>	<b>DETAILS OF COVERAGE</b>	<b>LIABILITY LIMITS</b>
General liability coverage KINGSPORT DEVELOPMENT COMPANY Policy No. TML-21300 (continued)			Public Officials Errors and Omissions Liability: Covers all sums which the insured shall become legally obligated to pay as damages because of any wrongful act while carrying out the duties by an insured, on behalf of a public entity.  Exclusions: Bodily injury or destruction of any tangible property, any dishonest, fraudulent, criminal or malicious act or omission.  Insured's activities in a fiduciary or Trustee capacity.  Any medical personnel except a licensed emergency medical technician while acting within the scope of duty.  Automobile Liability and Automobile Physical Damage: Coverage for bodily injury and property damage liability under standard automobile policy as amended.  Conditions and Amendments: If the insured has other valid and collectable insurance against a loss covered by this policy, the insurance extended by this policy shall be excess only and not primary or contributing.  Cancellations: Ten (10) days written notice.	Error and Omissions: \$1,000,000 per occurrence  Liability Deductible: None          Liability: Bodily injury: \$130,000 per person \$350,000 per occurrence  Property Damage: \$50,000 per occurrence  Other Losses: \$3,000,000 per occurrence for each other loss  Medical Payments: \$1,000 per person and \$10,000 per accident

**CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2002**

<b>TYPE OF COVERAGE/NAME OF COMPANY/ POLICY NO./ANNUAL PREMIUM</b>	<b>POLICY FROM</b>	<b>POLICY TO</b>	<b>DETAILS OF COVERAGE</b>	<b>LIABILITY LIMITS</b>
General liability coverage KINGSPORT DEVELOPMENT COMPANY Policy No. TML-21300 (continued)			<p>Person insured is any elected or appointed official or employee of the named insured with respect to non-owned automobile only while such automobile is being used in the business of the named insured.</p> <p>Automobile Physical Damage: Coverage is applicable for automobiles with per automobile values greater than \$100,000. Supplemental - Fire Department Coverage includes the smaller of the cost to repair/replace, compared to the value of the property listed in the schedule</p> <p>Fall Branch Utility District Commercial Coverage: Unlimited extended coverage for Fall Branch Utility District liability insurance.</p>	<p>Uninsured Motorists: \$130,000 per occurrence for bodily injury \$50,000 per occurrence for property damage</p> <p>Comprehensive: \$50,000 deductible per occurrence</p> <p>Collision: \$50,000 deductible per occurrence</p>
STATE OF TENNESSEE John Deere Select HMO Monthly Premium: \$202.52 per employee Single coverage \$505.66 per employee Family coverage	1/1/01	12/31/01	Employee Medical & Hospitalization Benefit	Aggregate: No Maximum in HMO network, Employee co pays apply
Monthly Premium: \$236.28 per employee Single coverage \$657.36 per employee Family coverage	1/1/02	12/31/02		

**CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2002**

<b>TYPE OF COVERAGE/NAME OF COMPANY/ POLICY NO./ANNUAL PREMIUM</b>	<b>POLICY FROM</b>	<b>POLICY TO</b>	<b>DETAILS OF COVERAGE</b>	<b>LIABILITY LIMITS</b>
Specific Excess Worker's Compensation Reinsurance Agreement BENNETT & EDWARDS Policy No. 3140-5A-TN  Annual Premium: \$41,975 - Aggregate & Specific	1/1/02	1/1/03	<p>States: State of Tennessee Application of Agreement: This agreement applies to loss sustained by the Employer because of liability imposed upon the Employer by: (a) the workers' compensation act of the state named, or (b) the workers' compensation act of a state not named in the policy schedule provided that the loss shall not include an amount of benefits greater than would be afforded under the workers' compensation act of the state of the employee's normal employment, or ( c ) law for damages, on account of bodily injuries or occupational diseases sustained by employees employed by the Employer and engaged in business operations specified in the policy schedule.</p> <p>Retention and indemnity: The employer shall retain loss sustained as a result of each occurrence in the amount of the retention specified in the policy schedule and the Corporation (Midwest Employers Casualty Co) agrees to indemnify the Employer against loss in excess of such retention as specified in the policy schedule.</p> <p>Cancellation: By either party upon sixty (60) days notice in writing as specified in the policy.</p>	<p>Limit of Underwriter's Liability: Statutory</p> <p>Maximum Benefit Any One Covered Employee: \$250,000 during the Period of Insurance</p> <p>Employer's Liability: \$1,000,000 Limit \$300,000 Retention \$1,000,000 Aggregate Limit \$1,342,500 Minimum Aggregate Retention</p>

**CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2002**

<b>TYPE OF COVERAGE/NAME OF COMPANY/ POLICY NO./ANNUAL PREMIUM</b>	<b>POLICY FROM</b>	<b>POLICY TO</b>	<b>DETAILS OF COVERAGE</b>	<b>LIABILITY LIMITS</b>
Standard Boiler and Machinery Policy EDWARDS, TIPTON & WITT THE CINCINNATI INSURANCE COMPANY Policy No. BEP2646328  Annual Premium: \$4,056	1/1/00	1/1/03	Location of covered property:  See Schedule of Locations of Insured Boilers All locations are covered by Endorsement 1, Section B1B and Section C1C except as noted below: Exception: Hedges Fired Water Heater, Peerless Cast Iron Boiler Location: Fine Arts Center Coverage: Endorsement 1, Section A1A  Section F2F covers all air conditioning units not exceeding 600,000 btu's. All locations are covered by the condition "Repair or Replacement" except as noted below: Exceptions: Kewanee Fired Tube Boiler #16625 Location: Andrew Jackson School Kewanee Fired Tube Boiler #16621, Hot Water Tank #31278, All Hot Water Tanks B&G Electric Water Heater Location: John Sevier Recreation Center Kewanee Fired Tube Boiler #16487 Location: John Sevier Middle High School Hedges Fired Water Heater, Peerless Cast Iron Boiler Location: Fine Arts Center All of the above locations are covered by the condition "Property Valuation" Cancellation clause is sixty (60) days. Any claim arising out of the following operations: 1) Schools; 2) Airports; 3) Hospitals; 4) Gas or Electric Utilities.	Per Accident:  \$100,000  Deductible: \$250

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**CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2002**

**TABLE 22  
Page 6 of 8**

<b>TYPE OF COVERAGE/NAME OF COMPANY/ POLICY NO./ANNUAL PREMIUM</b>	<b>POLICY FROM</b>	<b>POLICY TO</b>	<b>DETAILS OF COVERAGE</b>	<b>LIABILITY LIMITS</b>
Public Official Bond BENNETT & EDWARDS Policy No. 400HP6693 Bond No. 51-0170-61091-96-0  Annual Premium: \$1,250	8/1/00	8/1/04	Principal: Keith E. Smith	\$200,000
Bond-State of Tennessee (Schools) BENNETT & EDWARDS (USF&G) Policy No. 400MP7987 Bond No. 51-0170-10540-92-2  Annual Premium: \$3,463	4/30/02	4/30/03	Principal: Keith E. Smith	\$1,044,200
Public Official Bond UNITED STATES FIDELITY & GUARANTY CO. Policy No. 51-0170-21043-98-9  Annual Premium: \$100	10/1/01	10/1/02	Principal: A. Ray Griffin, Jr.	\$5,000
Public Official Bond UNITED STATES FIDELITY & GUARANTY CO. Policy No. 51-0170-36737-99-9  Annual Premium: \$1,540	3/15/02	3/15/03	Principal: James H. Demming	\$385,000
911 Treasurer Bond ST. PAUL SURETY Policy No. 400SC5843  Annual Premium: \$800	7/1/01	7/1/02	Principal: Mark E. Addington	\$500,000

**CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2002**

<b>TYPE OF COVERAGE/NAME OF COMPANY/ POLICY NO./ANNUAL PREMIUM</b>	<b>POLICY FROM</b>	<b>POLICY TO</b>	<b>DETAILS OF COVERAGE</b>	<b>LIABILITY LIMITS</b>
Public Official Bond UNITED STATES FIDELITY & GUARANTY CO. Policy No. 400MQ1787  Annual Premium: \$100	1/1/02	1/1/03	Principal: J. Robert Boatright  Obligee: City of Kingsport, Tennessee The Principal has been duly appointed to the position of: City Judge, City of Kingsport, Tennessee	\$1,000
Employee Dishonesty Blanket BENNETT & EDWARDS Policy No. 406CF1203 Gen. Govt.  Policy No. 51-0080-10573-92-8 Schools  Annual Premium: \$1,543 Gen. Govt. \$736 Schools	7/1/01	7/1/04	Covers loss of or damage to covered property due to employee dishonesty for City government and school system.	\$250,000  Deductible: \$50,000
Errors and Omissions - Notaries KINGSPORT DEVELOPMENT COMPANY Policy No. 58368775  Annual Premium: \$660	4/4/01	4/4/03	Limits of Liability: Covers all sums which the insured shall become legally obligated to pay as damages because of any wrongful act while carrying out the duties by an insured, on behalf of a public entity.	Aggregate: \$25,000
Justice Center Commercial General/Property Liability Insurance KINGSPORT DEVELOPMENT COMPANY Policy No. I-660-710X 3600-IND-01  Annual Premium: \$6,756	2/13/02	2/13/03	Justice Center Commercial General/Property	Building: \$5,928,000  Deductible: \$100,000 per occurrence
Miscellaneous Articles Floater KINGSPORT DEVELOPMENT COMPANY Policy No. MS GU9782  Annual Premium: \$529	5/26/02	5/26/03	Grand Piano: Covers loss/damage to the Grand Piano located at the Allandale Mansion. Coverage is based on actual cash value of item insured.	Maximum Benefit: \$32,000  Deductible: \$250

**CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2002**

TYPE OF COVERAGE/NAME OF COMPANY/ POLICY NO./ANNUAL PREMIUM	POLICY FROM	POLICY TO	DETAILS OF COVERAGE	LIABILITY LIMITS
Baseball Stadium General Liability/ Scheduled Articles Coverage KINGSPORT DEVELOPMENT COMPANY Policy No. CZR428659  Annual Premium: \$500	3/8/02	3/8/03	General Liability Coverage: Covers those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies.  Schedule Articles Coverage: Covers the "loss" of Covered Property, namely, the scoreboard and public address system located at the Hunter Wright Baseball Stadium. Coverage is based on replacement costs of items insured.	General aggregate limit: \$2,000,000  Each occurrence limit: \$1,000,000  Fire damage limit: \$100,000  Scoreboard: \$25,000  Public Address System: \$8,000
Contractors Equipment KINGSPORT DEVELOPMENT COMPANY Policy No. 20MSG8203  Annual Premium: \$5,608	10/4/01	10/4/02	Covers direct physical loss to contractors equipment due to external factors.  Values of covered properties: See Schedule of Property Covered	Maximum Benefit: \$1,024,437  Deductible: \$25,000
Scoreboard & PA System KINGSPORT DEVELOPMENT COMPANY  Policy No. CBP9566738  Annual Premium: \$676	3/8/02	3/8/03	General Liability Coverage: Covers those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies.  Schedule Articles Coverage: Covers the "loss" of Covered Property, namely, the scoreboard and public address system located at Dobbys Bennett High School Coverage is based on replacement costs of items insured.	General aggregate limit: \$2,000,000  Each occurrence limit: \$1,000,000  Fire damage limit: \$100,000  Scoreboard: \$25,000  Public Address System: \$8,000  Deductible: \$250

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF LOCATIONS AND VALUES OF REAL AND**  
**PERSONAL PROPERTY COVERED BY BLANKET INSURANCE**  
**JUNE 30, 2002**

**Table 23**  
**Page 1 of 4**

		Descriptions and Locations	Estimated Property Values	
			Buildings	Contents
1.	(a)	New John Sevier Jr. High School (Old D.B. Bldg.)	\$16,144,515	\$500,000
	(b)	New John Sevier Jr. High School (1962 Add) W/S Wateree and S/S Catawba		
2.	(a)	Andrew Jackson School (old)	\$3,877,158	96,100
	(b)	Andrew Jackson School (new) Jackson St. and Stone Drive		
3.		Robert E. Lee School Myrtle & Wateree Streets	199,865	3,634
4.	(a)	Abraham Lincoln School (old)	4,022,032	81,300
	(b)	Abraham Lincoln School (new) Summer, Magnolia & Woodlawn		
5.	(a)	Washington School (old)	980,000	69,381
	(b)	Washington School (new)	6,900,000	700,000
6.		Fire Station No. 1 130 Island Street	800,000	24,437
7.		Fire Station No. 2 1524 Memorial Blvd.	716,000	6,057
8.		Kingsport Water Purification Plant Sherwood Road	3,770,094	100,000
9.		Maintenance Shop Building 1004-1006 Poplar St.	364,972	60,565
10.		Fire Station No. 3 Memorial Blvd.	400,000	6,057
11.		New Dobyys-Bennett High School E. Center & Legion Streets (Vocational Wing)	14,990,000 1,780,962	1,606,215 242,260
12.		Riverview Recreation Center Louis Street	1,452,470	242,260

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF LOCATIONS AND VALUES OF REAL AND**  
**PERSONAL PROPERTY COVERED BY BLANKET INSURANCE**  
**JUNE 30, 2002**

**Table 23**  
**Page 2 of 4**

Descriptions and Locations		Estimated Property Values	
		Buildings	Contents
13.	Andrew Johnson School (Forest-Lawn Addition)	4,721,155	104,000
14.	Ross N. Robinson Jr. High School Jessee Street	10,974,205	233,243
15.	Garage and office, 609 Industry Drive	817,329	60,565
16.	Thomas Jefferson Elementary School F St. and Westmoreland Ave.	4,521,265	70,000
17.	Sewage Treatment Plant N/S Industry Dr.		
(a)	Screen & Pump Station	335,214	72,678
(b)	Grit Building	170,054	6,057
(c)	Primary Setting Tanks	401,297	71,467
(d)	Intermediate Pump Station	190,452	7,268
(e)	Switch Gear & Chemical Building	376,810	181,695
(f)	Administration Building	776,867	284,656
(g)	Maintenance Building	299,736	110,228
(h)	Blower Building	341,332	124,764
(i)	Digesters & Head Houses	901,432	329,474
(j)	Dewatering Building	535,859	371,869
(k)	Control Building	143,139	52,086
(l)	Return Sludge Pump Station	144,362	6,057
18.	Library Building 406 Broad St.	4,000,000	1,000,000
19.	Fire Station No. 4 2105 W. Stone Drive	400,000	10,000
20.	(a) Interpretive Nature Building 1800 Bays Mountain Park Road	597,122	176,850
	(b) Interpretive Nature Building Meeting and Class Rooms	140,000	15,000
21.	Bathhouse, Pumps, etc. Legion Pool, Fort Henry Drive	290,712	none
22.	Kingsport Civic Auditorium 1550 Fort Henry Drive	2,500,492	70,720

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF LOCATIONS AND VALUES OF REAL AND**  
**PERSONAL PROPERTY COVERED BY BLANKET INSURANCE**  
**JUNE 30, 2002**

**Table 23**  
**Page 3 of 4**

Descriptions and Locations			Estimated Property Values	
			Buildings	Contents
23.	(a)	Kingsport Allandale Museum W. Stone Drive	836,020	112,651
	(b)	Kingsport Allandale Museum Barn #1	40,000	none
	(c)	Kingsport Allandale Museum Barn #1	22,184	none
24.		City Hall 225 W. Center Street	2,047,080	216,115
25.		Palmer Memorial Center 1851 Memorial Blvd. S/S	750,000	50,000
26.		New Fleet Maintenance Complex 625 W. Industry Drive	1,441,447	314,938
27.	(a)	Utility Bldg.-Konnarock Rd. 1213 Konnarock Road	200,000	475,000
	(b)	Vehicle Storage Building	50,000	none
28.		Personnel & Risk Management Dept. 1644 Ft. Henry Drive	543,134	32,810
29.		Transportation Department 123 Cherokee Street	307,939	131,600
30.		Food Service Warehouse 633 E. Sevier Street	304,875	85,000
31.		Justice Center 220 Shelby Street	(cov'd under sep. policy)	3,300,000
32.		Steadman Farmstead 858 Bays Mtn. Park Rd.	150,000	50,000
33.		Franklin T. Roosevelt Elementary (Previously West View) 1051 Lake Street	3,692,756	225,660
34.		John F. Kennedy Elementary (Lynn Garden Elementary) 1550 Woodlawn Avenue	3,919,974	225,660

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF LOCATIONS AND VALUES OF REAL AND**  
**PERSONAL PROPERTY COVERED BY BLANKET INSURANCE**  
**JUNE 30, 2002**

**Table 23**  
**Page 4 of 4**

<u>Descriptions and Locations</u>	<u>Estimated Property Values</u>	
	<u>Buildings</u>	<u>Contents</u>
35.	Fire Station No. 5 1517 Lynn Garden Drive	500,000 100,000
36.	Sevier Renaissance Center 1200 E. Center Street	3,000,000 300,000
37.	Fire Station No. 6 4598 Ft. Henry Drive	595,000 75,000
38.	(a) Golf Club House	734,000 25,000
	(b) Storage Building 1901 Meadowview Pike	134,000 45,000
39.	Kingsport Improvement Building 201 W. Market St.	<u>276,000</u> <u>75,000</u>
		<b><u>\$109,521,311</u></b> <b><u>\$12,936,377</u></b>

**CITY OF KINGSFORT, TENNESSEE**  
**SCHEDULE OF LOCATIONS OF INSURED BOILERS**  
**JUNE 30, 2002**

**Table 24**  
**Page 1 of 2**

- |   |  |
|---|--|
| 1. Dobyons-Bennett High School<br>1800 Legion Drive<br>Kingsport, TN 37660  | 12. Fire Station No. 2<br>1804 Crescent Drive<br>Kingsport, TN 37660                                     |
| 2. Upper East Tennessee<br>Human Development Agency<br>Kingsport, TN 37660  | 13. Filter Plant<br>2436 Sherwood Road<br>Kingsport, TN 37660  |
| 3. New Douglas School<br>201 Louis Street<br>Kingsport, TN 37660            | 14. Maintenance Shop<br>609 West Industry Drive<br>Kingsport, TN 37660                                   |
| 4. Andrew Jackson School<br>646 Jackson Street<br>Kingsport, TN 37660       | 15. Municipal Garage<br>609 West Industry Drive<br>Kingsport, TN 37660                                   |
| 5. Thomas Jefferson School<br>2300 Westmoreland Ave.<br>Kingsport, TN 37660 | 16. School Maintenance Shop<br>1000 Poplar Street<br>Kingsport, TN 37660                                 |
| 6. Andrew Johnson School<br>1035 Ormond Drive<br>Kingsport, TN 37660        | 17. Ross N. Robinson<br>Jr. High School<br>1645 Jessee Street<br>Kingsport, TN 37660                     |
| 7. Robert E. Lee School<br>520 Myrtle Street<br>Kingsport, TN 37660         | 18. John Sevier Jr. High School<br>1200 Wateree Street<br>Kingsport, TN 37660                            |
| 8. Lincoln Elementary School<br>1309 Summer Street<br>Kingsport, TN 37660   | 19. George Washington School<br>208 West Sevier Street<br>Kingsport, TN 37660                            |
| 9. City Hall<br>225 West Center Street<br>Kingsport, TN 37660               | 20. Lovedale Pumping Station<br>Bloomington Pike and<br>Truxton Drive<br>Kingsport, TN 37660             |
| 10. Civic Auditorium<br>Memorial Blvd.<br>Kingsport, TN 37660               | 21. Ridgefields Pumping Station<br>Pendragon Road and<br>Ridgefields Country Club<br>Kingsport, TN 37660 |
| 11. Central Fire Station<br>130 Island Street<br>Kingsport, TN 37660        |  |
| 22. Fire Station No. 4<br>2104 West Stone Drive<br>Kingsport, TN 37660      | 31. Justice Center<br>200 Shelby Street<br>Kingsport, TN 37660   |

**CITY OF KINGSPORT, TENNESSEE**  
**SCHEDULE OF LOCATIONS OF INSURED BOILERS**  
**JUNE 30, 2002**

**Table 24**  
**Page 2 of 2**

- |   |   |
|---|---|
| <p>23. Water Dept. Maint. Shop<br/>Konnarock Road<br/>Kingsport, TN 37660</p>                                       | <p>32. Fire Station #6<br/>4598 Ft. Henry Drive<br/>Kingsport, TN 37663</p>               |
| <p>24. Treatment Plant<br/>700 West Industry Drive<br/>Kingsport, TN 37660</p>                                      | <p>33. Food Service Warehouse<br/>633 E. Sevier Street<br/>Kingsport, TN 37660</p>        |
| <p>25. Jackson W. Elementary School<br/>Lake Street<br/>Kingsport, TN 37660</p>                                     | <p>34. Interpretive Nature Building<br/>Bays Mountain Park<br/>Kingsport, TN 37660</p>    |
| <p>26. Fire Station No. 3<br/>3828 Memorial Blvd.<br/>Kingsport, TN 37660</p>                                       | <p>35. Kingsport Public Library<br/>406 Broad Street<br/>Kingsport, TN 37660</p>          |
| <p>27. W.Kpt. Sewage Treatment Plant<br/>Kingsport, TN 37660</p>  | <p>36. Fire Station #5<br/>1517 Lynn Garden Drive<br/>Kingsport, TN 37660</p>             |
| <p>28. Millye Pumping Station<br/>Millye Street and John B.<br/>Dennis By-Pass<br/>Kingsport, TN 37660</p>          | <p>37. Palmer Center<br/>1609 Ft. Henry Drive<br/>Kingsport, TN 37664</p>                 |
| <p>29. John Sevier Recreation<br/>Center/Renaissance Center<br/>1200 East Center Street<br/>Kingsport, Tn 37660</p> | <p>38. George Washington Elementary<br/>1100 Bellingham Drive<br/>Kingsport, TN 37660</p> |
| <p>30. J.F.Kennedy Elementary School<br/>1500 Woodland Avenue<br/>Kingsport, TN 37660</p>                           |   |

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

American Institute of Certified Public Accountants  
Associated Regional Accounting Firms  
TGI (International Group of Accountants)

Independent Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

Honorable Mayor and Board of Aldermen  
City of Kingsport  
Kingsport, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the combining and nonmajor funds, and schedules of capital assets used in the operation of governmental funds (the "financial statements") of the City of Kingsport, Tennessee (the "City") as of and for the year ended June 30, 2002, and have issued our report thereon dated November 19, 2002 which contains an explanatory paragraph noting the City's change in method of accounting to comply with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

City of Kingsport, Tennessee  
Independent Auditors' Report on Compliance  
and on Internal Control over Financial Reporting  
Page 2

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Blackburn, Childers and Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 19, 2002

Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133

Honorable Mayor and Board of Aldermen  
City of Kingsport  
Kingsport, Tennessee

Compliance

We have audited the compliance of the City of Kingsport, Tennessee (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

City of Kingsport, Tennessee  
Independent Auditors' Report on Compliance  
in Accordance With OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Blackburn, Childers and Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 19, 2002

CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2002

Section I - Summary of Auditors' Results  
(As required by OMB Circular A-133)

1. The auditors' report expresses an unqualified opinion on the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the combining and nonmajor funds, and schedules of capital assets used in the operation of governmental funds (the "financial statements") of the City of Kingsport, Tennessee (the "City").
2. No reportable conditions or material weaknesses are reported in the independent auditors' report on compliance and on internal control over financial reporting, based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No reportable conditions disclosed during the audit of the major federal award programs were reported in the independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City.
7. The programs tested as major programs were as follows:

<u>Program</u>	<u>CFDA Number</u>
National School Lunch Program	10.555
Community Development Block Grants	14.218
FTA Capital/Operating Grants	20.507
Regional Center for Applied Technology	20.507, 11.300

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was not determined to be a low risk auditee.

CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2002

Section II - Financial Statement Findings

Current Year Findings:

There are no current year findings.

Prior Year Findings:

The following prior year finding has been corrected to our satisfaction:

Finding 01-1 Community Development Grant Funds

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings and questioned costs in regard to the major federal award programs audit.